

PUBLIC DISCLOSURE

October 31, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First Republic Bank
Certificate Number: 59017**

**111 Pine Street
San Francisco, California 94111**

**Federal Deposit Insurance Corporation
25 Jessie Street at Ecker Square, Suite 2300
San Francisco, California 94105**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate- income neighborhoods, consistent with safe and sound operations of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

I.	General Information.....	1
II.	Institution Rating	
a.	Overall Rating.....	2
b.	Lending, Investment, and Service Test Table.....	4
c.	Description of Institution	5
d.	Description of Combined Assessment Area	7
e.	Scope of Evaluation	11
f.	Conclusions with Respect to Performance Tests – Combined Assessment Area..	13
III.	California	
a.	Summary	
i.	State Rating.....	33
ii.	Description of Assessment Area.....	33
iii.	Statewide Performance Test Conclusions – Full Scope Evaluation.....	35
b.	San Francisco Bay Area Assessment Area – Full Scope Evaluation.....	45
c.	Los Angeles Area Assessment Area – Full Scope Evaluation.....	58
d.	San Diego County Assessment Area – Limited Scope Evaluation.....	68
e.	Riverside County Assessment Area – Limited Scope Evaluation.....	71
f.	Santa Barbara County Assessment Area – Limited Scope Evaluation.....	74
IV.	New York	
a.	State Rating.....	77
b.	Description of Assessment Area.....	77
c.	Statewide Performance Test Conclusions – Full Scope Evaluation.....	80
V.	Massachusetts	
a.	State Rating.....	87
b.	Description of Assessment Area.....	87
c.	Statewide Performance Test Conclusions – Limited Scope Evaluation.....	89
VI.	Connecticut	
a.	State Rating.....	91
b.	Description of Assessment Area.....	91
c.	Statewide Performance Test Conclusions – Limited Scope Evaluation.....	92
VII.	Oregon	
a.	State Rating.....	94
b.	Description of Assessment Area.....	94
c.	Statewide Performance Test Conclusions – Limited Scope Evaluation.....	95

VIII.	Appendix	
a.	Scope of Evaluation.....	96
b.	Summary of State and Multistate Metropolitan Area Ratings.....	98
c.	General Definitions.....	99
d.	Investment Definitions.....	102
e.	Standard Performance Evaluation Language.....	104

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income (LMI) neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the CRA performance of **First Republic Bank (FRB)** prepared by the **Federal Deposit Insurance Corporation (FDIC)**, the institution's supervisory agency, as of **October 31, 2011**. The agency evaluates performance in assessment area(s)(AA), as they are delineated by the institution, rather than individual branches. This AA evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

FRB demonstrated a satisfactory record of meeting the credit, investment, and service needs of its AAs, including LMI neighborhoods and individuals, based upon the following findings:

Lending Test – Low Satisfactory

- FRB's lending levels reflect good responsiveness to the credit needs of its AAs.
- A high percentage of the bank's home mortgage loans and small business loans were made in its AAs.
- The geographic distribution of loans reflects adequate penetration throughout the AAs.
- The distribution of borrowers reflects poor penetration among retail customers of different income levels and business customers of different revenue sizes, given the product lines offered by the bank.
- FRB has made a relatively high level of community development (CD) loans.
- FRB used a variety of innovative and/or flexible lending practices in a safe and sound manner to serve the credit needs of the AAs, including LMI individuals or geographies.
- FRB exhibits an adequate record of serving the credit needs of highly economically disadvantaged geographies, low-income individuals, and/or very small businesses, consistent with safe and sound banking practices.

Investment Test – High Satisfactory

- FRB has a significant level of qualified CD investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors.
- The bank exhibits good responsiveness to credit and community economic development needs.
- FRB uses innovative and/or complex investments to support CD initiatives.

Service Test – High Satisfactory

- Delivery systems are accessible to essentially all portions of the institution's AAs.
- To the extent that changes have been made, FRB's record of opening, closing, or relocating branches has not adversely affected the accessibility of its delivery systems, particularly in LMI geographies and/or to LMI individuals.

- Services (including, where appropriate, business hours) do not vary in a way that inconveniences certain portions of the AAs, particularly LMI geographies and/or individuals.
- The bank provides a relatively high level of CD services, products, and program, with a particularly strong focus on financial education.

LENDING, INVESTMENT, AND SERVICE TEST TABLE

The following table indicates the performance level of the institution with respect to the Lending, Investment, and Service Tests.

PERFORMANCE LEVELS	First Republic Bank		
	PERFORMANCE TESTS		
	Lending Test	Investment Test	Service Test
Outstanding			
High Satisfactory		X	X
Low Satisfactory	X		
Needs to Improve			
Substantial Noncompliance			

DESCRIPTION OF INSTITUTION

FRB is a state-chartered, non-member commercial bank headquartered at 111 Pine Street, San Francisco, California. FRB commenced operations in 1985 as a California state-chartered thrift and loan. FRB became subject to the reporting requirements of the Home Mortgage Disclosure Act (HMDA) and CRA regulation effective January 1, 2011.

FRB operates in the private banking and wealth management niche primarily in San Francisco, Los Angeles, Santa Barbara, Palm Springs, San Diego, Portland, Oregon; New York, Boston, and Greenwich, Connecticut. FRB's principal lending focus is high-end, single-family mortgage loans (mostly prime jumbo mortgage loans), followed by commercial lending to established medium- and large-sized businesses. FRB maintains a private wealth management division and emphasizes private banking relationships with high-wealth individuals.

The bank's loan portfolio composition is reflected in Table FRB-1.

FRB-1: Loan Portfolio Composition as of September 30, 2011		
Loan Type	Dollar Amount (000s)	Percent of Total Loans
Construction and Land Development	478,189	2.3
Secured by Farmland	0	0.0
Open-end 1 to 4 Family Residential	1,778,427	8.5
Closed-end 1 to 4 Family Residential	12,455,340	59.5
Multi-family Residential	2,206,789	10.5
Commercial Real Estate	2,236,583	10.7
Loans to Depository Institutions	0	0.0
Agricultural Production	0	0.0
Commercial and Industrial	1,137,572	5.4
Credit Card	0	0.0
Other Consumer Revolving Open-end	6,180	Nominal
Consumer Closed-end	349,341	1.7
Foreign Governments & Official Institutions	0	0.0
Obligations of States and Political Subdivisions	240,645	1.1
All Other	54,254	0.3
Lease Financing Receivables	0	0.0
Less: Unearned Income	0	0.0
Total Loans	20,943,320	100.0

Source: September 30, 2011, Report of Condition (Call Report)

Table FRB-1 indicates that HMDA-reportable loans (closed-end 1 to 4 family and multi-family residential mortgage loans) comprise the bank's predominant lending category at 70.0 percent of the bank's total loan portfolio by dollar volume. Commercial real estate and commercial/industrial loans comprise the second largest category at 16.1 percent of total loans by dollar volume. The third largest category is open-end home equity lines of credit (HELOCs) (8.5 percent of total loans). No other loan category constitutes greater than 2.3 percent of total loans by dollar volume. FRB originates an immaterial volume of construction and land development loans (2.3 percent) and non-real estate secured consumer loans (1.7 percent). The bank does not offer credit card loans and does not solicit or market agricultural production loans or farmland loans.

FRB does not engage in any brokerage activities and does not originate subprime loans, high-cost mortgages loans, higher-priced mortgage loans, or mortgage loans with negative amortization or teaser rates. Mortgage loan terms are typically 15- or 30-year maturities. Both fixed- and adjustable-rate mortgages are offered. The purpose of the vast majority of FRB's single-family mortgage loans are for either purchase or refinancing. FRB originates loans for its own portfolio and for sale in the secondary mortgage market (e.g., Fannie Mae). All sold loans continue to be serviced by FRB. The bank is not in the business of servicing loans originated by other lenders.

FRB offers a full range of deposit products that include personal and business checking, savings, money market, certificate of deposit, and individual retirement accounts. Other products and services include online, mobile, and telephone banking, merchant, and management, and trust services, wealth management and private banking, and investment advisor services. In addition, the bank offers non-deposit investment products, bill pay, wire transfers, automated teller machines (ATMs), point-of-sale (POS) debit and ATM cards, direct deposit, automatic loan debit, overdraft protection (savings account linked and by an overdraft line of credit), remote deposit; and for commercial customers, armored car, lock box, and foreign exchange services.

FRB currently operates 58 full-service branches (including the main office) located within 5 states: California, Oregon, New York, Massachusetts, and Connecticut. FRB also operates one loan production office in the City of Salem, New Hampshire. Branch business hours run from 8:00 a.m. or 9:00 a.m. to 5:00 p.m. Monday through Thursday, and until 6:00 p.m. on Friday. Several branches are open on Saturday from 9:00 a.m. or 10:00 a.m. to 2:00 p.m. or 3:00 p.m. FRB also maintains 240 ATMs, 230 of which are located within the bank's combined AA (CAA). The 10 ATMs outside the CAA are non-deposit ATMs. Please refer to Table FRB – 2 and to the Service Test sections of this Performance Evaluation (PE) for additional details on the bank's offices and services.

As of September 30, 2011, FRB had total assets of \$26.8 billion, total loans of \$20.9 billion, total deposits of \$21.7 billion, and total equity of \$2.5 billion. The bank's net interest margin was 4.6 percent, the return-on-assets ratio was 1.4 percent, the return-on-equity ratio was 15.3 percent, and the bank's core capital (Tier 1 leverage) ratio was 9.0 percent.

This is FRB's first CRA PE since operating, as a new California state-chartered institution effective July 1, 2010.

DESCRIPTION OF COMBINED ASSESSMENT AREA

FRB's CAA is comprised of nine individual AAs encompassing all or portions of 18 counties in 5 states.

- **The San Francisco Bay Area AA** – a contiguous area consisting of the entirety of San Francisco, Marin, San Mateo, Alameda, Contra Costa, Napa, and Sonoma Counties, and a portion of Santa Clara County. This AA encompasses the following areas of the San Jose-San Francisco-Oakland, CA Combined Statistical Area (CSA) # 448:
 - The San Francisco-Oakland-Fremont, CA Metropolitan Statistical Area (MSA) # 41860 (San Francisco, Marin, San Mateo, Alameda, and Contra Costa Counties).
 - The Napa, CA MSA # 34900 – Napa County.
 - The Santa Rosa-Petaluma, CA MSA # 42220 – Sonoma County.
 - The San Jose-Sunnyvale-Santa Clara, CA MSA # 41940 – part of Santa Clara County only.
- **The Los Angeles Area AA** - the entirety of the Los Angeles-Long Beach-Santa Ana, CA MSA # 31100 (all of Los Angeles and Orange Counties).
- **The San Diego County AA** – the entirety of the San Diego-Carlsbad-San Marcos, CA MSA # 41740 (all of San Diego County)
- **The Riverside County AA** – a portion of Riverside County (one of two counties comprising the Riverside-San Bernardino-Ontario, CA MSA # 40140).
- **The Santa Barbara County AA** – a portion of Santa Barbara County (the Santa Barbara-Santa Maria-Goleta, CA MSA # 42060).
- **The New York AA** – all of New York County (one of 23 counties comprising the New York-Northern New Jersey-Long Island, NY-NJ-PA MSA # 35620).
- **The Massachusetts AA** – all of Suffolk County (one of seven counties comprising the Boston-Cambridge-Quincy, MA-NH MSA #14460).
- **The Connecticut AA** – a portion of Fairfield County (the Bridgeport-Stanford-Norwalk, CT MSA # 14860).
- **The Oregon AA** – portions of Multnomah and Washington Counties (two of seven counties comprising the Portland-Vancouver-Beaverton, OR-WA MSA # 38900).

FRB's AAs conform to the requirements of the CRA regulation, and do not arbitrarily exclude any LMI geographies or individuals. Given FRB's size and resources, the AAs represent the geographic area that the bank can reasonably be expected to serve.

Table FRB-2 shows the distribution and concentration of FRB's deposits, full-service branches, and ATMs among its nine individual AAs and the CAA.

Table FRB-2: Deposit, Branch, and ATM Distributions by Count and Assessment Area

Assessment Area	Census Tracts in Assessment Area*		Deposits (000s)**		Branches***		ATMs***	
	#	%	\$	%	#	%	#	%
San Francisco Bay Area	1,255	23.9	11,175	56.1	33	56.9	102	44.3
Los Angeles Area	2,631	50.1	2,311	11.6	8	13.8	25	10.9
San Diego County	605	11.5	805	4.0	5	8.6	9	3.9
Riverside County	60	1.1	83	0.4	1	1.7	2	0.9
Santa Barbara County	44	0.8	174	0.9	1	1.7	4	1.7
California	4,595	87.4	14,548	73.0	48	82.7	142	61.7
New York	296	5.6	3,399	17.0	6	10.4	66	28.7
Massachusetts	176	3.4	1,734	8.7	2	3.5	16	7.0
Connecticut	15	0.3	146	0.7	1	1.7	2	0.9
Oregon	174	3.3	113	0.6	1	1.7	4	1.7
Combined AA	5,256	100.0	19,940	100.0	58	100.0	230	100.0

* 2010 U.S. Census data; ** Deposits as of June 30, 2011; *** Branches and ATMs as of October 31, 2011

Table FRB-3 shows the distribution and concentration of FRB's year-to-date (YTD) 2011 HMDA loans and small business loans among its nine individual AAs and the CAA.

Table FRB-3: HMDA and Small Business Loan Distributions by Count and Assessment Area

Assessment Area	Census Tracts in Assessment Area*		HMDA Loans**		Small Business Loans**		Total Loans**	
	#	%	#	%	#	%	#	%
San Francisco Bay Area	1,255	23.9	1,674	67.9	271	62.4	1,945	67.1
Los Angeles Area	2,631	50.1	318	12.9	62	14.3	380	13.1
San Diego County	605	11.5	83	3.4	21	4.8	104	3.6
Riverside County	60	1.1	13	0.5	2	0.5	15	0.5
Santa Barbara County	44	0.8	38	1.5	3	0.7	41	1.4
California	4,595	87.4	2,126	86.2	359	82.7	2,485	85.7
New York	296	5.6	252	10.2	62	14.3	314	10.8
Massachusetts	176	3.4	47	1.9	6	1.4	53	1.8
Connecticut	15	0.3	24	1.0	1	0.2	25	0.9
Oregon	174	3.3	18	0.7	6	1.4	24	0.8
Combined AA	5,256	100.0	2,467	100.0	434	100.0	2,901	100.0

* 2010 U.S. Census data; ** Bank-supplied data: all such loans originated or purchased by the bank from January 1, 2011, through August 31, 2011, within the CAA

Demographic Profile

The bank's CAA consists of 5,256 census tracts (CTs): 446 low-income CTs, 1,358 moderate-income CTs, 1,721 middle-income CTs, 1,698 upper-income CTs, and 33 "N/A" CTs. The CAA has a population of 24.7 million persons, of which 25.2 percent were under the age of 18 and 10.7 percent were age 65 and older. The CAAs labor force consisted of 12.1 million persons, or 63.6 percent of the total population according to the 2010 U.S. Census data. The CAA contains 8.8 million households, of which 1.1 households, or 11.9 percent, were below the poverty level. The CAA hosts 5.6 million families, of which 597,271 families, or 10.6 percent, are below the poverty level. The CAA contains 9.2 million housing units, of which 47.8 percent are owner-occupied housing units, 62.7 percent are 1 to 4 family housing units, and 4.7 percent are vacant units.

In 2010, the CAA contained 2.1 million businesses, of which 1.6 million businesses, or 76.9 percent, were small businesses. The 2010 levels of total businesses and small businesses represent decreases of 23.3 percent and 20.8 percent, respectively, over the 2009 levels. The CAA does not contain any non-metropolitan areas or any distressed or underserved non-metropolitan middle-income CTs.

Table FRB-4 details additional demographic data for the CAA.

Table FRB-4: Demographic Information for the Combined Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A % of #
Census Tracts	5,256	8.5	25.8	32.8	32.3	0.6
Population by Census Tract Income Level	24,663,394	7.9	27.3	34.0	30.7	0.1
Owner-occupied Housing Units by Census Tract Income Level	4,416,950	2.0	15.9	37.4	44.7	0.0
Businesses by Census Tract Income Level	2,096,219	6.8	19.8	30.5	42.3	0.6
Small Businesses by Census Tract Income Level	1,611,256	6.2	19.3	30.9	43.1	0.5
Households by Income Level	8,829,459	22.6	15.5	18.9	43.0	
Families by Income Level	5,658,225	22.8	17.2	19.0	41.0	
Median Family Income		\$63,126	Median Housing Value			\$287,586
Median Household Income		\$54,856	Unemployment Rate			6.4%
Families Below the Poverty Level		10.6%	Percent of Population Below the Poverty Level			11.9%
Households Below the Poverty Level		11.9%	Percent of Population on Public Assistance			4.5%

Source: 2010 U.S. Census data; 2010 D&B data; 2010 Housing and Urban Development (HUD) data

As shown in Table FRB-5 New York, San Francisco, and Orange County are the least affordable areas in the nation. High housing costs, escalating foreclosures, and tightened underwriting criteria translate into a rapidly shrinking pool of LMI and middle-income families who can afford a home and who are able to obtain financing in the current credit market. Table FRB-5 details the Housing Affordability Index by ranking throughout the CAA.

FRB-5: Housing Affordability Indices and National Affordability Rankings Combined Assessment Area				
MSA/MD	HOI Share of Homes Affordable to Median-Income Family (as of 2nd QTR 2011)	2011 Median Family Income	2nd QTR 2011 Median Sale Price of a Single-Family Home	National Affordability Ranking (out of 223)
New York-White Plains- Wayne, NY-NJ	25.2	\$67,400	\$424,000	223 rd
San Francisco-San Mateo- Redwood City, CA	27.5	\$101,600	\$630,000	222 nd
Santa Ana-Anaheim-Irvine, CA	40.5	\$84,200	\$410,000	221 st
Los Angeles-Long Beach- Glendale, CA	41.6	\$64,000	\$310,000	219 th
San Jose-Sunnyvale-Santa Clara, CA	48.4	\$103,600	\$454,000	215 th
San Diego-Carlsbad-San Marcos, CA	52.1	\$74,900	\$308,000	213 th
Bridgeport-Stamford- Norwalk, CT	52.7	\$105,300	\$370,000	212 th
Santa Barbara-Santa Maria- Goleta, CA	54.2	\$72,300	\$277,000	210 th
Boston-Quincy, MA	58.5	\$87,600	\$315,000	203 rd
Napa, CA	60.5	\$85,000	\$310,000	200 th
Santa Rosa-Petaluma, CA	64.0	\$81,500	\$290,000	194 th
Oakland-Fremont-Hayward, CA	68.1	\$92,300	\$277,000	182 nd
Portland-Vancouver- Hillsboro, OR-WA	71.5	\$72,00	\$215,000	169 th

Source: National Association of Home Builders/Wells Fargo Housing Opportunity Index – 2nd Quarter of 2011 by Affordability Rank

FRB's primary lending focus is residential mortgages to borrowers in the high-cost AAs lending to first-time homebuyers, LMI borrowers, and LMI geographies in these markets is challenging. Also, FRB's principal lending focus is high-end, single-family mortgage loans (mostly prime jumbo

mortgage loans), followed by commercial lending to established medium- and large-sized businesses.

Please refer to each individual AAs section of the PE for additional descriptions of each AA.

SCOPE OF EVALUATION

FRB was evaluated using large bank CRA examination procedures. CRA defines a large bank as one that had total assets of at least \$1.122 billion as of December 31 of both of the prior 2 calendar years. A CRA PE of a large bank consists of three components: Lending, Investment, and Service Tests.

This evaluation was conducted at the bank's administrative office at 388 Market Street, San Francisco, California. Examiners relied upon records and reports provided by the bank, publically available loan and financial information, demographic and economic information from various government and private agencies such as the 2000 U.S. Census Bureau,, and other information gathered as part of the examination process, including community contacts.

Examiners evaluated the bank's CRA performance within the context of the following:

- The performance context of the institution;
- The current economic environment;
- The demographic characteristics of the AAs;
- Lending opportunities within the AAs;
- Competition from other financial institutions;
- The bank's locations, financial capacity, and branch structure;
- The bank's product offerings and business strategy; and
- Information derived from community contacts.

As shown in Tables FRB-2 and FRB-3, the San Francisco Bay Area AA hosts a majority of the bank's deposits, branches, ATMs, HMDA loans, and small business loans. The Los Angeles Area AA hosts a majority of the CAAs CTs. Of the remaining 6 AAs, none of them individually, constitutes 10 percent or greater of the bank's total HMDA and small business loans, deposits, branch, and ATMs. As such, in addition to the CAA, examiners conducted full-scope evaluations of the following AAs: San Francisco Bay, Los Angeles, and New York. Limited-scope evaluations were conducted for the San Diego, Riverside, Santa Barbara, Massachusetts, Connecticut, and Oregon. Each state was assigned separate CRA composite and component ratings.

Examiners evaluated the bank's HMDA and small business loans since they represent the largest loan categories. Examiners analyzed loans originated and purchased since the bank began reporting HMDA and CRA loans effective January 1, 2011, through August 31, 2011. During this eight-month period, FRB originated 3,053 HMDA loans totaling \$3.5 billion and 469 small business loans totaling \$195.6 million. HMDA loans are assigned greater weight than the analyses of small business loans in determining the overall CRA Rating. The borrower profile and geographic distribution criteria are given the greatest weight in the overall lending test rating followed by

responsiveness to the credit needs of the most economically disadvantage geographies and individuals.

For the borrower profile and geographic distribution analyses, greater weight was placed on comparisons to aggregate lending than to the distribution of AA housing units, families, or businesses. The aggregate data reflects the market share, demand, and competition within the AAs.

All CD loans transacted by the bank from July 1, 2010, up to October 31, 2011, were analyzed for the PE.

All CD investments, grants, donations, and services conducted July 1, 2010, through October 31, 2011, were reviewed. Examiners' reviewed transactions for which management could provide compliant and verifiable documentation regarding all CD loans, investments, grants, donations, and services.

Comparable Institutions

There are no comparable institutions, either in terms of bank charter, headquarters location, asset size, lending profile, branch structure, AA profile, market share, and tenure located within FRB's CAA.

Community Contacts

Examiners conducted three community contacts during this evaluation and used six existing contacts from recent CRA PE. All nine community contacts were in located within the three individual AAs subject to full-scope evaluations. Please refer to the Scope of Evaluation sections of the San Francisco Bay Area, Los Angeles Area, and New York Area evaluations for details.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS COMBINED ASSESSMENT AREA

Examiners considered the current economic climate, the housing market, and high-cost AAs and incorporated this information within the criteria used to evaluate the Lending, Investment, and Service Tests of all of the bank's AAs.

LENDING TEST

The Lending Test evaluates a bank's record of helping to meet the credit needs of its AAs based upon the following criteria:

- 1) Lending activity;
- 2) AA concentration;
- 3) Geographic distribution;
- 4) Borrower profile;
- 5) CD lending;
- 6) Innovative or flexible lending practices; and
- 7) Record of serving the credit needs of the most economically disadvantaged.

The lending test components are not weighted equally. Borrower profile and geographic distribution are given more weight in assigning the overall Lending Test rating, followed by CD lending, innovative and/or flexible lending practices, responsiveness to the credit needs of highly disadvantage geographies and individuals, AA concentration, and lending activity.

FRB's Lending Test performance is rated **Low Satisfactory**.

Lending Activity

FRB's lending levels reflect good responsiveness to its CAA credit needs. The average net loan-to-deposit ratio over the last 5 calendar quarters from September 30, 2010, to September 30, 2011, was 95.9 percent, with a high of 98.8 percent on June 30, 2011, and a low of 94.2 percent on March 31, 2011. This measurement of performance gauges the extent to which an institution invests deposited funds back into the AA through its lending activity. FRB's high ratio of 95.9 percent indicates a strong commitment in meeting the credit needs of its AAs.

Analysis of the bank's lending activity is limited to those HMDA loans and small business loans originated or purchased during an eight month period, from January 1, 2011, through August 31, 2011.

Assessment Area Concentration

A high percentage of HMDA and small business loans were extended within the institution's CAA. By number, 82.4 percent of HMDA loans and small business loans were extended within the CAA. This mirrors the dollar volume percentage of 82.1 percent. The concentration of HMDA loans within the CAA was relatively high at 80.8 percent by number and 81.6 percent by dollar volume.

Small business loans depict an even higher percentage of 92.5 percent by number and 90.9 percent by dollar volume. These percentages reflect the bank's strong commitment to lending within the communities it serves.

Table FRB-6 details FRB's AA concentration performance.

Table FRB-6: Distribution of Loans Inside and Outside the Combined Assessment Area										
Loan Category	Number of Loans					Dollar Volume (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$
HMDA	2,467	80.8	586	19.2	3,053	2,878,132	81.6	650,219	18.4	3,528,351
Small Business	434	92.5	35	7.5	469	177,796	90.9	17,796	9.1	195,592
Total	2,901	82.4	621	17.6	3,522	3,055,928	82.1	668,015	17.9	3,723,943

Source: Bank data

Geographic Distribution

The geographic distribution of loans reflects an adequate penetration throughout the CAA given the bank's overall performance and unique performance context. HMDA loans were weighted more heavily than small business loans, as they represent 85.0 percent of total loans extended inside the CAA, versus 15.0 percent for small business loans.

There are conspicuous gaps in the quality of geographic distribution among the individual AAs. Most notably, the geographic distribution of both HMDA loans and small business loans within the Los Angeles Area and the New York AAs were poor. These 2 AAs account for over half (55.7 percent) of the CAAs total inventory of 5,256 CTs. Despite an excellent penetration performance for geographic distribution in the California AA and the San Francisco Bay Area AA, the bank's poor performance in the Los Angeles and New York AAs negatively impacts the bank's overall rating for the geographic distribution profile. This is the primary reason why the bank-wide performance for geographic distribution is rated Low Satisfactory rather than High Satisfactory.

HMDA Loans

The geographic distribution of HMDA loans reflects good penetration throughout the CAA. Table FRB-7 details the bank's geographic distribution performance for HMDA loans.

**Table FRB-7: Distribution of HMDA Loans by Census Tract Income Category
Combined Assessment Area**

Census Tract Income Category	Census Tracts*		Owner Occupied Housing Units*	Aggregate Lending Data**	FRB YTD 2011 HMDA Loans			
	#	%	%	%	#	%	\$	%
Low-Income	446	8.5	2.0	1.7	98	4.0	53,848	1.9
Moderate-Income	1,358	25.8	15.9	11.7	236	9.6	172,787	6.0
Middle-Income	1,721	32.8	37.4	34.3	467	18.9	444,853	15.4
Upper-Income	1,698	32.3	44.7	52.2	1,666	67.5	2,206,644	76.7
N/A	33	0.6	0.0	0.1	0	0.0	0	0.0
Total	5,256	100.0	100.0	100.0	2,467	100.0	2,878,132	100.0

** 2010 U.S. Census data; ** 2010 Aggregate HMDA data for all CRA-defined large banks that originated HMDA loans within the CAA*

The bank's geographic distribution was well distributed among all CT income categories. At 4.0 percent, FRB's penetration among low-income CTs is stronger than the aggregate lending data of 1.7 percent and the relative percentage of CAA owner-occupied housing units (2.0 percent). At 9.6 percent, the bank's penetration rate among moderate-income CTs approximates the aggregate lending data, but falls below the percentage of owner-occupied housing units.

The higher percentage of HMDA lending in low-income CTs, and the nearly 10 percent penetration rates among moderate-income CTs, reflects positively on the bank considering the significant downturn in residential mortgage markets during the last 3 years.

Small Business Loans

The geographic distribution of small business loans reflects good penetration throughout the CAA.

Table FRB-8 details the bank's geographic distribution performance for small business loans.

**Table FRB-8: Distribution of Small Business Loans by Census Tract Income Category
Combined Assessment Area**

Census Tract Income Category	Census Tracts*		CAA Businesses **	Aggregate Lending Data**	FRB YTD 2011 Small Business Loans			
	#	%	%	%	#	%	\$	%
Low-Income	446	8.5	6.7	5.0	48	11.0	20,187	11.3
Moderate-Income	1,358	25.8	19.8	16.4	53	12.2	24,518	13.8
Middle-Income	1,721	32.8	30.5	29.5	115	26.5	44,012	24.8
Upper-Income	1,698	32.3	42.3	48.5	212	48.9	87,379	49.1
N/A	33	0.6	0.7	0.6	6	1.4	1,700	1.0
Total	5,256	100.0	100.0	100.0	434	100.0	177,796	100.0

** 2010 U.S. Census data; ** 2010 Aggregate CRA data for all CRA-defined large banks that originated small business loans within the CAA*

The bank's geographic distribution was well distributed across all CT income categories. At 11.0 percent, FRB's penetration among low-income CTs is stronger than the aggregate lending rate of 5.0 percent, the relative percentages of CAA businesses (6.7 percent) and CAA CTs (8.5 percent). At 12.2 percent, the bank's penetration rate among moderate-income CTs is below the 3 comparative percentages for aggregated lending, CAA businesses, and CAA CTs.

The higher percentage of small business lending in low-income CTs, and the 12.2 percent penetration rate among moderate-income CTs, reflects positively on the bank.

Borrower Profile

The overall distribution of borrowers reflects poor penetration among retail customers of different income levels and business customers of different revenue sizes, given the product lines offered by the institution. Borrower profile performance for HMDA loans was poor while small business lending performance was adequate.

HMDA Loans

FRB's overall borrower profile performance for HMDA loans was poor. Performance was also poor in the California, San Francisco Bay Area, Los Angeles Area, New York, Santa Barbara County, and Massachusetts AAs. The Riverside County, Connecticut, and Oregon AAs exhibited an insufficient volume of HMDA lending in evaluating the borrower profile performance.

Table FRB-9 depicts FRB's borrower profile performance for HMDA loans.

Table FRB-9: Distribution of HMDA Loans by Gross Annual Income Combined Assessment Area				
Borrower Income Level*	CAA Families**	Aggregate Lending Data***	FRB YTD 2011 HMDA Loans	
	%	%	#	%
Low-Income	22.8	3.8	19	0.8
Moderate-Income	17.2	11.4	39	1.6
Middle-Income	19.0	20.3	80	3.2
Upper-Income	41.0	59.1	1,935	78.4
Income Not Reported	0.0	5.4	394	16.0
Total	100.0	100.0	2,467	100.0

** Income categories based upon HUD estimated median family income; ** 2010 US Census data; *** 2010 Aggregate HMDA data for all CRA-defined large banks that originated HMDA loans within the CAA*

The penetration rates among LMI borrowers were well below aggregate lending levels. Less than 1 percent of the bank's HMDA loans were originated to low-income borrowers, while less than 2 percent of HMDA loans were originated to moderate-income borrowers. The bank's HMDA loans were concentrated among upper-income borrowers, above the aggregate lending level and the comparative percentage of CAA families.

Small Business Loans

The overall distribution of small business loans reflects adequate penetration among businesses of different revenue sizes. Borrower profile performance for small business loans was good within the New York AA, adequate within California, San Francisco Bay Area, Los Angeles Area, and San Diego County AAs. The remaining five individual AAs exhibited an insufficient volume of small business lending to support a statistically sound determination as to borrower profile performance.

Table FRB-10 details the bank's borrower profile performance as to small business loans.

Table FRB-10: Distribution of Small Business Loans by Gross Annual Revenue Combined Assessment Area						
Borrower Income Level*	CAA Businesses**	Aggregate Lending Data***	FRB YTD 2011 Small Business Loans			
	%	%	#	%	\$	%
GAR ≤ \$ 1 Million	76.8	34.0	130	30.0	48,426	27.2
GAR > \$ 1 Million	5.0	66.0	292	67.3	123,208	69.3
Income Not Reported	18.2	0.0	12	2.7	6,162	3.5
Total	100.0	100.0	434	100.0	177,796	100.0

** 2010 D&B data; ** 2010 Aggregate CRA data for all CRA-defined large banks that originated small business loans within the CAA*

The bank's penetration rate among businesses with gross annual revenues (GARs) of less than or equal to \$1 million appears reasonable and approximates the aggregate penetration rate of 34.0 percent.

Table FRB-11 provides further analysis by presenting the bank's small business loans stratified by loan size.

FRB-11: YTD 2011 Small Business Loans by Loan Size Combined Assessment Area				
Loan Size (000s)	#	%	\$ (000s)	%
Less Than \$100	99	22.8	7,102	4.0
≥ \$100 ≤ \$250	100	23.0	19,434	10.9
Greater Than \$250	235	54.2	151,260	85.1
Total	434	100.0	177,796	100.0

Source: Bank-supplied data

The loan size analysis provides additional support for an adequate performance. Nearly 1 quarter of the bank's small business loans in this AA (22.8 percent) were originated in amounts of less than \$100,000. These small business credits frequently support start-up, recently established, and/or small businesses. The bank originated an additional 23.0 percent of its small business loans in amounts of between \$100,000 and \$250,000. Nearly 45.8 percent of all small business loans in the CAA were originated in amounts of less than or equal to \$250,000. These percentages indicate that the bank is meeting the credit needs of smaller-sized businesses. Noteworthy is the fact that, according to community contacts, one of the primary credit needs for businesses is for smaller-sized loans to start-up or existing small businesses.

Community Development Loans

FRB made a relatively high level of CD loans, considering its asset size, financial ability, opportunities within its CAA, and the bank's unique performance context. Please refer to the

performance context comments under the CAAs Investment Test narrative. The bank's CD loans are concentrated within the San Francisco Bay Area AA. All nine individual AAs benefited from CD lending except for Riverside County and the Massachusetts AAs.

The bank originated 227 loans aggregating \$437.8 million. These loans addressed all aspects of CD including affordable housing, economic development, and CD social services. The majority of CD loans (51.5 percent by number) addressed affordable housing.

CD lending demonstrates FRB's strong commitment in meeting the critical AA needs of affordable housing and economic development. FRB extended loans for the economic development of various depressed communities such as California State Enterprise Zones, Community Renewal Areas, Redevelopment Areas, and Empowerment Zones. FRB provided credit to several certified Community Development Financial Institutions (CDFIs). A majority of CD loans (70 loans totaling \$132.2 million) benefit the State of California Enterprise Zones. This is followed by loans for Community Renewal Areas (34 loans totaling \$90.3 million), Redevelopment Areas (18 loans totaling \$37.3 million), and Empowerment Zones (1 loan totaling \$625,000).

Based on September 30, 2011, Call Report data, FRB's CD loans, by dollar volume, represent 1.6 percent of total assets, 17.6 percent of total equity, and 2.1 percent of total loans.

The following are examples of more notable CD loans within the CAA:

- A \$4 million CD loan to assist a non-profit and certified CDFI to provide programs to increase the availability of capital for affordable housing, child care facilities, community facilities, and charter schools located in LMI geographies.
- A \$250,000 loan to assist a non-profit corporation and certified CDFI to provide financing for projects located in underserved communities. The CDFI's core mission is to revitalize LMI communities through lending and technical assistance.
- A \$500,000 loan to a non-profit lending arm of a tax credit syndicator to provide financial products and technical assistance to support non-profit organizations in the acquisition, development, and rehabilitation of affordable housing for LMI families and to assist in the revitalization of their communities.
- A \$3.1 million loan to refinance an 86-unit apartment building located in a low-income CT in the Tenderloin District of San Francisco. This area lies within a California Enterprise Zone and Renewal Community. The rents are below-market and assist LMI individuals and families.
- A \$2.4 million loan to refinance a 45-unit apartment building in a moderate-income CT in the Oakland, CA Enterprise Zone. The rents are below market and benefit LMI individuals and families.

- FRB originated an \$18.5 million loan to an individual for the refinancing of a large multi-family dwelling located in a moderate-income CT. The 180-unit apartment provides affordable housing for LMI families.
- FRB originated a loan for \$2.9 million to refinance a 37-unit multi-family apartment complex located in a moderate-income CT of Los Angeles. Thirty-six of the 37 units are for affordable housing benefiting LMI families.
- FRB originated a loan for \$18.5 million to refinance a large multi-family dwelling located in a moderate-income CT. The 180-unit apartment provides affordable housing for LMI families.
- A \$400,000 loan to refinance a 14-unit apartment building in a moderate-income CT located in New York's Empowerment Zone. The rents are below market and benefit LMI individuals and families.
- FRB originated a \$2 million loan to a non-profit consortium lender to finance a CRA housing and CD project. The loan funded the construction, rehabilitation, and preservation of affordable housing units throughout the New York and Connecticut AAs.

Table FRB-12 details the number and dollar volume of CD loans by CD purpose throughout the CAA.

Table FRB-12: Community Development Loans in the Combined Assessment Area										
Assessment Area	All Community Development Loans		Affordable Housing		Revitalize/ Stabilize		Economic Development		Community Services	
	# Total	\$ Total (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
San Francisco Bay Area	177	361,485	85	144,234	67	161,822	20	54,164	5	1,265
Los Angeles Area	14	14,856	8	8,506	4	5,000	1	1,300	1	50
San Diego County	14	22,136	14	22,136						
Riverside County	0	0								
Santa Barbara County	4	10,225	2	3,625	2	6,600				
California	209	408,702	109	178,501	73	173,422	21	55,464	6	1,315
New York	8	10,696	3	2,146	4	8,500			1	50
Massachusetts	0	0								
Connecticut *	1	2,625			1	2,625				
Oregon	9	15,818	5	8,168	3	7,500			1	150
Total	227	437,841	117	188,815	81	192,047	21	55,464	8	1,515

Source: Bank-supplied data; * The Connecticut AA benefited from a \$2 million loan to a lending consortium whose service area included both New York State and Connecticut. This \$2 million CD loan is listed within the loan total for the New York AA.

Innovative and/or Flexible Lending Practices

The bank used a wide variety of innovative and/or flexible lending programs in a safe and sound manner to address the credit needs of the AA, including LMI individuals or geographies. All innovative and/or flexible lending programs offered by FRB were available throughout the California AA, while most were available in the non-California AAs. The bank's innovative and/or flexible lending programs were most prevalent throughout the San Francisco Bay Area AA. The bank provides direct lending products and participates with federal, state, and municipal agencies in various loan programs. These programs help LMI individuals in purchasing and maintaining homes, providing economic development benefits by stabilizing and revitalizing LMI neighborhoods, sustaining small business, and creating jobs. The *Eagle One*, *Eagle One Plus*, and *Home Loan Special* are innovative, as well as flexible as they are in-house programs developed by FRB management. These three innovative programs demonstrate a leadership role by FRB in the provision of such programs.

During the evaluation period, FRB extended 1,329 innovative and/or flexible loans totaling \$681.7 million.. Documentation maintained by FRB could not delineate by individual AA the number or dollar volume of loans originated under each innovative and/or flexible lending program. Although several of these loans served only the California AAs (specifically, the San Francisco Bay Area AA), all of FRB's individual AAs used the *Eagle One*, the *Eagle One Plus*, and the *Home Loan Special* proprietary and innovative programs. These 3 widely used programs accounted for 838 loans or 63.1 percent of the CAA total by number totaling \$434.6 million or 63.8 percent by dollar volume.

Table FRB-13 reflects the bank's use of innovative and/or flexible lending programs.

Table FRB-13: Innovative and/or Flexible Lending Programs		
Loan Programs	Number of Loans	Dollar Volume (000s)
Eagle Small Business Loans	469	195, 600
Home Loan Special Program	369	239,000
Brien Wiel SRHF	92	8, 900
FHLB Community Investment Program	365	221,900
SBA 504 Loans	14	13,500
Habitat for Humanity Loan Purchases	20	2,866
Total	1,329	681,766

The following are examples of the bank's flexible and/or innovative lending practices:

- FRB developed two new in-house loan programs called the *Eagle One* and *Eagle One Plus* that target small businesses. The *Eagle One* loan amounts range from \$60,000 up to \$150,000, and *Eagle One Plus* loan amounts range from \$150,000 to \$350,000. These products are available to small businesses with GARs of \$1 million or less. Bank-wide FRB originated 310 loans totaling \$163.8 million in 2010, and 159 loans totaling \$31.8 million as of August 31, 2011.

- FRB initiated an in-house *Home Loan Special* program that lowers the cost of home financing for LMI individuals or properties located in LMI CTs. This program allows for discounts and fee waivers for qualified LMI individuals. For properties located in LMI CTs, the borrower is eligible to receive a 5 basis point pricing discount (10 basis points if the loan is locked with Federal National Mortgage Association). For owner-occupied loans made to LMI borrowers, the price is discounted 25 basis points. For multi-family loans located in a LMI CT, the borrower is eligible to receive a 10 basis point discount. Fees waived or paid by FRB under this program include the following:
 - Loan processing/documentation
 - Appraisal
 - Credit report
 - Tax service
 - Life-of-loan insurance monitoring
 - Title and settlement
 - Recording
 - Messenger

During the evaluation period, FRB originated 369 Home Loan Special Loans totaling \$239 million.

- FRB also administers small business loans through the Small Business Administration (SBA). The SBA 504 loan program is a long-term financing tool, designed to encourage economic development within a community. The SBA 504 loan program accomplishes this by providing small businesses with long-term, fixed-rate financing to acquire major fixed assets for expansion or modernization. The bank originated 14 SBA 504 loans totaling \$13.5 million bank-wide.
- FRB participates in the Federal Home Loan Bank (FHLB) of San Francisco's Community Investment Program (CIP). The funds from this loan program must be used to finance home purchases, construction, or rehabilitation projects by or for LMI individuals or families. Additionally, the fund targets individuals in Empowerment Zones, Enterprise Zones, champion communities, and an "Indian area" as defined by the Native American Housing Assistance and Self Determination Act, or neighborhoods with an average median income at or below 115 percent of the HUD area median income. During the evaluation period, FRB's commitment under this program funded 365 loans totaling \$221.9 million.
- FRB participates with the FHLB of San Francisco's Affordable Housing Program (AHP). The AHP facilitates the development of affordable rental housing and homeownership opportunities for LMI households. Through a competitive application process, FRB provides grants or subsidized interest rates to finance affordable housing initiatives. FRB contributes 10 percent of its net income from the preceding year to the AHP. As of the evaluation date, the bank has not funded any loans under this program.
- FRB is a participating lender in the City of San Francisco's Down Payment Assistance Loan Program (DALP). The DALP is a down payment assistance loan to LMI first-time homebuyers purchasing single-family homes in San Francisco. The DALP is a silent second-lien loan that

requires no payments for 40 years. The principal amount plus a share of the appreciation (profit) becomes due at the end of the loan term or upon the sale, transfer, or rental of the property, whichever comes first. DALP has been approved by [CalHFA](#) to use their first mortgages. As of the evaluation date, the bank has not funded any loans under this program.

- FBR is a participating lender in City of San Francisco's Mortgage Credit Certificate (MCC) program. The MCC program helps first-time homebuyers purchase a home in the City and County of San Francisco. Eligible homebuyers increase their ability to qualify for a mortgage loan and reduce their effective interest rate through use of the MCC program. The federal income tax advantage provided by the MCC for a homebuyer who keeps the same mortgage loan and lives in the same house will be equal to 15 percent of the mortgage interest, paid annually on a dollar-for-dollar basis. As of the evaluation date, the bank has not funded any loans under this program.
- In view of the pressing need for neighborhood stabilization in the aftermath of historical high levels of foreclosure, and being mindful of the fact that the destabilizing impact tends to disproportionately affect LMI neighborhoods and households, FRB participates in the Brien Wiel Stabilization and Rehabilitation Housing Fund (SRHF). SRHF is a private social investment fund that engages in acquiring foreclosed properties in the East San Francisco Bay Area, stabilize them, and turn them into rent-to-own properties, in many cases back to the families who have been foreclosed upon. As part of the rent-to-own program, the SRHF also provides free homeownership counseling to families interested in the program. The bank funded a total of 92 loans totaling \$8.9 million during the evaluation period. This program is an innovative way to solve the foreclosure crisis while providing opportunities for home ownership.
- FRB has developed alliances with several Habitat for Humanity (HFH) chapters throughout the CAA. Many HFH chapters participate in the national Neighborhood Stabilization Program (NSP), wherein they purchase foreclosed properties, rehabilitate the property, and then sell or rent the property to LMI families. The extent to which HFH can maintain this as an effective affordable housing stabilization program depends largely on their ability to maintain liquidity and available capital. To help make the NSP a success, FRB initiated a loan purchase arrangement with San Francisco area HFHs to help free up capital for their affordable housing and NSP efforts. During the evaluation period, FRB purchased 20 HFH affordable housing loans totaling \$2.8 million. These loans involved affordable housing properties located within the San Francisco Bay Area AA.
- FRB participates in the California Organization of Insurance Network (COIN). This is an innovative program to lower the cost of financing for CDFIs. COIN provides an incentive in the form of California tax credits to attract much needed private capital investment that would not otherwise be available to CDFIs without the benefit of such an incentive. CDFIs leverage these investments for the direct benefit of economically disadvantaged communities and LMI individuals. During the evaluation period, FRB used the COIN program to provide a \$4 million CD loan at 0 percent interest for 5 years to the Low Income Investment Fund, a certified CDFI recognized as a leader in the development of affordable housing in the San Francisco Bay Area AA. This \$4 million loan is not listed in Table FRB-13 as it is listed in Table FRB-12 as a CD loan.

Record of Serving the Credit Needs of the Highly Economically Disadvantaged

FRB demonstrates an adequate record of serving the credit needs of the most economically disadvantaged geographies, individuals, and businesses in the CAA. Geographic distribution was adequate. The bank's borrower profile performance among small businesses was adequate, especially as evidenced by the large percentage of small business loans originated in amounts of less than or equal to \$250,000. During the evaluation period of 16 months, the bank extended a relatively high level of CD loans, which were responsive to the critical needs of affordable housing and economic development according to the community contacts. The bank's CD lending has been particularly responsive to geographic areas designated by state, county, and municipal governments as being in special need of economic development, revitalization, or stabilization. The bank was responsive to the credit needs of LMI individuals, geographies, and small businesses through the use of several of innovative and/or flexible lending programs.

INVESTMENT TEST

FRB's Investment Test performance is rated **High Satisfactory**.

The Investment Test evaluates a bank's record of helping to meet the credit needs of its AAs through qualified investments (including qualified grants and donations) that benefit the AAs or a broader statewide or regional area that includes the bank's AAs.

The Investment Test evaluates the investment performance of a bank pursuant to the following criteria:

- 1) The dollar amount of qualified investments;
- 2) The innovativeness or complexity of qualified investments;
- 3) The responsiveness of qualified investments to credit and CD needs; and
- 4) The degree to which the qualified investments are not routinely provided by private investors.

FRB's overall investment performance was of a highly satisfactory level. FRB generated a significant level of qualified CD investments, grants, and donations, particularly those that are not routinely provided by private investors, and occasionally in a leadership position. Examiners identified a total \$171.5 million in qualified investments, grants, and donations. Based on September 30, 2011, Call Report data, this total represents 0.6 percent of total assets of \$26.8 billion and 6.9 percent of total equity of \$2.5 billion.

In rating the Investment Test, greater weight was given to the qualified investments made directly within the bank's delineated AAs as opposed to those indirect investments that benefited a larger statewide or regional area that included the bank's AAs.

Qualified Investments and Grants

Examiners identified 47 qualified investments and grants totaling \$170.8 million that were extended by FRB during the 16-month evaluation period beginning July 1, 2010. Of the total qualified investments, 31 investments and grants totaling \$109.8 million directly benefited the bank's AAs. The remaining 16 investments, totaling \$61 million, benefited larger statewide areas of California, New York, and Massachusetts.

Table FRB-14 details the bank's qualified investments throughout the CAA.

Table FRB-14: Qualified Investments in the Combined Assessment Area										
Assessment Area	All Qualified Investments		Affordable Housing		LMI Geographies		Economic Development		LMI Social Services	
	# Total	\$ Total (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
San Francisco Bay Area	15	34,402	15	34,402						
Los Angeles Area	4	29,656	4	29,656						
San Diego County	1	2,270	1	2,270						
Riverside County	4	5,723	4	5,723						
Santa Barbara County	1	17,700	1	17,700						
California	25	89,751	25	89,751						
New York	1	2,000			1	2,000				
Massachusetts	2	13,900	2	13,900						
Connecticut	1	670	1	670						
Oregon	2	3,500	2	3,500						
Total	31	109,821	30	107,821	1	2,000				

Source: Bank-supplied data

Not depicted in Table FRB-14 are 16 qualified investments, totaling \$61 million, in Low-Income Housing Tax Credits (LIHTCs) and Interest on Lawyers Trust Accounts (IOLTAs). These investments benefited the larger statewide areas of California, New York, and Massachusetts, all areas that encompass FRB AAs. These investments were primarily LIHTCs totaling \$60 million. When contributing to these LIHTC funds, FRB specifically asks that their investments be directed to its individual AAs. However, the funds that administer these LIHTCs have the final say as to where the tax credits are ultimately applied. FRB's IOLTAs generated an additional \$757,000. These investments represent the interest on IOLTAs held at FRB that FRB directs be given to the State Bars of California and Massachusetts for the sole purpose of funding civil legal services to indigent, low-income people.

The primary focus of FRB's investment activity was affordable housing in response to the critical need for affordable housing throughout the CAA, as noted by the various community contacts. The primary investment is LIHTCs. These are national tax credit funds used to construct and rehabilitate affordable housing properties for LMI individuals and families. The secondary investment was for CRA-approved Mortgage Backed Securities (MBSs). Lastly, FRB made an equity investment of \$2 million (2 percent) in a financial institution located in New York that serves African-American communities whose residents, businesses, and institutions have limited access to mainstream financial services.

- LIHTCs – FRB has invested approximately \$96.3 million or 88 percent in LIHTCs. A LIHTCs is a tax credit that gives incentives for the utilization of private equity in the development of affordable housing aimed at low-income individuals or families. These LIHTCs benefited low-income individuals and families in the following AAs: San Francisco Bay Area, Los Angeles Area, Riverside County, Santa Barbara County, Massachusetts, and Oregon.
- MBS – FRB purchased or participated approximately \$11.2 million or 10 percent in MBS. These MBS are home mortgage loans to LMI individuals and/or LMI geographies. The following AAs benefited from these investments: San Francisco Bay Area, San Diego County, Riverside County, and Connecticut.
- Workforce Initiative Subsidy for Homeownership (WISH) - In conjunction with the AHP, FRB participates in the WISH program. The WISH program provides up to \$15,000 for each participating household, matching up to \$3 for each \$1 contributed by the homebuyers. FRB must set aside a percentage of its annual AHP contribution to fund the WISH program. During the evaluation period, FRB has allocated \$200,000 for the WISH program. These funds will benefit the California AA and the San Francisco Bay Area AA.
- Access for Housing and Economic Assistance Development (AHEAD) - FRB participates in FHLB's AHEAD program. The AHEAD program is a recoverable grant program that targets economic development and affordable housing initiatives during their conception and early development stages. AHEAD grants, made to bank members working with local community groups, can be used to fund projects that will produce housing, services, or other benefits for LMI households, result in the creation or retention of jobs, or facilitate public or private infrastructure improvements. AHEAD projects are eligible under the FHLB's CIP. FRB sponsored three nonprofit partners for an AHEAD grant. In 2011, FRB selected 1 of these partners [a California Micro Enterprise Organization (CAMEO)] in the San Francisco Bay Area AA to receive a \$30,000 grant.
- Carver Bank – Carver Bank is a Harlem-based minority depository institution (MDI) that focuses on serving the affordable housing, economic development, and social service needs of the area's LMI African-American community. Upon learning that Carver Bank was in risk of being closed down due to insufficient capital, FRB demonstrated leadership by joining with three other financial institutions to inject capital into this MDI. FRB's \$2 million investment helped to ensure the continued availability and accessibility of financial services to the local underserved community.

- Bank on San Francisco Pay Day Plus Loan Program – FRB participated in the Bank of San Francisco Pay Day Plus Loan Program. This is an especially innovative program whereby FRB partners with a San Francisco Bay Area credit union to provide low-cost, small-dollar loans to mostly LMI individuals. The program allows individuals to borrow \$50 to \$500 without higher fees. In addition, the borrower’s payment history is reported by the credit union to credit bureaus, thus helping the borrower to build a credit history. Borrowers are also connected to community-focused financial education and other resources. FRB provided the credit union with a \$5,000 grant.

Qualified Donations

FRB provided an additional \$739,000, representing 109 cash donations during the evaluation period. These donations benefited all but one of the bank’s nine individual AAs. Recipients of the bank’s donations included, but were not limited to: Habitat For Humanity Greater San Francisco, Neighborhood House Incorporated of Oregon, San Diego Second Change Program, Carrillo Counseling Services Incorporated of Santa Barbara, Trinity Boston Foundation, Upward Bound House (Los Angeles), Boys and Girls Club of San Francisco, STAND Against Domestic Violence (nationwide), and the United Way of the Bay Area.

Table FRB-15 details the bank’s qualified cash donations as they pertain to affordable housing, LMI geographies, economic development, and social services for LMI individuals and families.

Table FRB-15: Qualified Donations and Grants in the Combined Assessment Area										
Assessment Area	All Qualified Donations and Grants		Affordable Housing		LMI Geographies		Economic Development		LMI Social Services	
	# Total	\$ Total (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
San Francisco Bay Area	80	553	10	57	1	15	7	49	62	432
Los Angeles Area	9	72	1	1					8	71
San Diego County	1	3							1	3
Riverside County	0	0								
Santa Barbara County	1	1							1	1
California	91	629	11	58	1	15	7	49	72	507
New York	8	62							8	62
Massachusetts	8	40			1	5			7	35
Connecticut	0	0								
Oregon	2	8							2	8
Total	109	739	11	58	2	20	7	49	89	612

Source: Bank-supplied data

SERVICE TEST

FRB's Service Test performance is rated **High Satisfactory**.

The Service Test evaluates a bank's record of helping to meet the credit needs of its AAs by analyzing both the availability and effectiveness of a bank's systems for delivering retail banking services and the extent and innovativeness of its CD services.

The FDIC evaluates the availability and effectiveness of a bank's systems for delivering retail banking services pursuant to the following six criteria:

- 5) The current distribution of the bank's branches among low-, moderate-, middle-, and upper-income geographies;
- 6) The availability and effectiveness of alternative systems for delivering retail banking services in LMI geographies and to LMI individuals;
- 7) The range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies; and
- 8) In the context of its current distribution of the bank's branches, the bank's record of opening and closing branches, particularly branches located in LMI geographies or primarily serving LMI individuals;

The FDIC evaluates CD services pursuant to the following criteria:

- 1) The extent to which the bank provides CD services; and
- 2) The innovativeness and responsiveness of CD services.

Retail Banking Services

Assessment Area Distribution and Accessibility of Delivery Systems

FRB's delivery systems are accessible to essentially all portions of the institution's CAA. Table FRB-16 details FRB's branch and ATM distributions by CT and population strata within the CAA.

**Table FRB-16: Branch and ATM Distribution by Census Tract Income Category
Combined Assessment Area**

Census Tract Income Category	Census Tracts*		Total Population*		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	446	8.5	1,940,566	7.9	10	17.2	37	16.1
Moderate	1,358	25.8	6,732,639	27.3	3	5.2	18	7.8
Middle	1,721	32.8	8,392,655	34.0	15	25.9	41	17.8
Upper	1,698	32.3	7,576,630	30.7	30	51.7	134	58.3
N/A	33	0.6	20,904	0.1	0	0.0	0	0.0
Total	5,256	100.0	24,663,394	100.0	58	100.0	230	100.0

* 2010 U.S. Census data

Automated Teller Machines

There are 230 ATMs located throughout the bank's CAA. All 58 branches have 1 or more ATMs on-site. FRB's ATM network is accessible to essentially all portions of the CAA. The facilities are located within each CT income category and reflect the CT and population profiles of the CAA. The FRB ATM card can be used to withdraw cash at ATMs worldwide and at merchants equipped with POS machines.

Internet Banking, Telebanking, and Other Alternate Delivery Systems

- Internet Banking – Customers can access various internet-banking programs through FRB's internet website. These programs allow customers 24-hour access to transaction and account information. Customers are given the ability to receive disclosures, monitor account balances, view account histories and online statements, perform intra-bank fund transfers, effect address changes, establish bill payments and automatic debits/deposits, communicate with bank personnel via e-mail, and receive general customer service.
- Telephone Banking – Via automated telephone access, customers can access an automated information system that enables them to access their account information 24 hours a day, 7 days a week. Through this service, customers can monitor account balances and account histories, perform intra-bank fund transfers, and receive general customer service.
- Bank-by-Mail – Customers can mail deposits in postage-paid envelopes to Deposit Services in San Francisco. Deposits are processed the day they are received.

Foreign Language Speakers

FRB employs foreign language speakers at most of its 58 branches, aiding those customers who do not speak English as their primary language. FRB maintains a diverse employee base that is

proficient in 23 languages. FRB employees are proficient in such languages as Vietnamese, Cantonese, Mandarin, Tagalog, Japanese, Thai, and Spanish.

Changes in Branch Locations

No branches were relocated during the evaluation period. FRB closed only one branch during the evaluation period, located in an upper-income CT in New York County. A CRA impact analysis was performed prior to closing this branch. The bank opened two branches in upper-income CTs in the San Francisco Bay Area AA, one in San Mateo County in March of 2011, and one in Alameda County in August of 2011. The bank's record of opening, closing, or relocating branches has not adversely affected the accessibility of its delivery system, particularly among LMI geographies and/or individuals.

Reasonableness of Services and Business Hours in Meeting Assessment Area Needs

Services do not vary in a way that inconveniences certain portions of the CAA, particularly among LMI geographies and/or individuals.

All of the bank's branches are full service, and banking hours reflect the needs of the local communities that they serve. FRB offers Monday through Friday banking hours from 9:00 a.m. to 5:00 p.m. Some branches stay open late until 6:00 p.m., especially on Fridays. In addition, many FRB branches offer Saturday banking hours and maintain a drive-up facility.

Community Development Services

FRB provided a relatively high level of CD services. CD services are defined as "services that have as their primary purpose community development, are related to the provision of financial services, and have not been considered in the evaluation of the bank's retail banking service."

FRB's combination of CD hours, products, and programs demonstrated good responsiveness to CAA service needs.

Community Development Service Hours

During the review period, 270 staff employees, members of senior management, and Board members provided 2,225 CD service hours to 80 organizations throughout the bank's CAA. All but one of the bank's nine individual AAs (the Riverside County AA) benefited from CD services, products, and programs. FRB was a leader in providing CD services throughout its San Francisco Bay Area AA.

Table FRB-17 details the bank's CD service hours.

Table FRB-17: Community Development Services in the Combined Assessment Area

Assessment Area	All CD Services		Affordable Housing		LMI Geographies		Economic Development		LMI Services	
	# of Employees	Total Hours	EMPLOYEES							
			#	Hours	#	Hours	#	Hours	#	Hours
San Francisco Bay Area	144	1,232	10	80			3	31	131	1,121
Los Angeles Area	32	304	5	175					27	129
San Diego County	6	171							6	171
Riverside County										
Santa Barbara County	8	125	6	64					2	61
California	190	1,832	21	319			3	31	166	1,482
New York	49	262							49	262
Massachusetts	23	97							23	97
Connecticut	2	4							2	4
Oregon	6	30							6	30
Total	270	2,225	21	319			3	31	246	1,875

Source: Bank-supplied data

FRB employees, members of senior management, and Board members filled numerous committee and board of director positions with local non-profit organizations. FRB employees volunteered 2,225 hours of their time to CRA-qualified activities.

The following are examples of some significant CD contributions made by FRB employees.

- Several bank employees and senior managers have served as board and committee members to local organizations that provide technical and financial support to small business owners or that support affordable housing for LMI individuals and families. They primary served on boards, participated in credit reviews, and instructed staff of economic development and affordable housing agencies on financial programs available to their organizations.
- FRB's CRA/fair lending officer is a member of a task force, which primary focus is reaching out to the unbanked of San Francisco.

Community Development Products and Programs

FRB's Board of Directors and senior management have developed the following proprietary, in-house, innovative CD programs, all of which primarily benefit LMI individuals, families, and geographies:

- Low Cost Checking Program (New York) – To assist LMI individuals in the New York AA, by offering a *Basic Banking Checking* account, which was designed for customers who conduct a limited number of transactions. This account only requires a nominal \$25 minimum opening balance with no minimum monthly balance requirement.
- FRB Financial Education Program – FRB maintains an extensive financial education program to reach out to LMI individuals. FRB leverages curriculum developed by other community partners and also launched its own “financial education boot camp” in partnership with a San Francisco non-profit that caters to LMI families and children.

FRB has consistently maintained a strong commitment to financial education in all of its AAs. The following is a listing of the financial education-related initiatives that FRB has actively participated in:

- Operation Hope – Banking on Our Future (bank-wide)
- FRB Bilingual Quick and Easy Guide to Home Mortgages (bank-wide)
- FRB Annual Financial Boot Camp (San Francisco Bay Area AA)
- United Way of the Bay Area (San Francisco Bay Area AA)
- Winning Play\$ (New York and Connecticut AAs)
- New York Cares and Boston Cares (New York and Massachusetts AAs)
- Immaculate Conception Academy Career and College Mentorship for LMI Students and Students Sponsor Partners (San Francisco Bay Area AA)
- Bank on San Francisco Pay Day Plus Loan Program (San Francisco Bay Area AA)
- First-Time Homebuyers Programs and FHLB WISH program (San Francisco Bay Area and Los Angeles Area AAs)
- FHLB AHEAD Program (statewide California)
- Non-profit Banking Program – FRB offers low-cost, flexible retail banking services to non-profit organizations involved in CD activities throughout the bank’s CAA. The program is offered to non-profit and charitable organizations that are granted 501(c)(3) certification by the Internal Revenue Service. Many of the bank’s charitable organization customers provide relief to the poor, the distressed, or the underprivileged, as well as assistance to revitalize distressed neighborhoods. Non-profit homes for the elderly, rent-teacher associations, charitable hospitals, boys and girls clubs, and churches are some examples of non-profit or charitable organizations to which FRB provides its *Non-Profit Banking Program*.

Fair Lending or Other Illegal Credit Practices Review

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

CALIFORNIA

FRB's State of California CRA Rating is Satisfactory.

The Lending Test is rated: High Satisfactory

The Investment Test is rated: High Satisfactory

The Service Test is rated: High Satisfactory

DESCRIPTION OF THE CALIFORNIA ASSESSMENT AREA

The State of California hosts five of FRB's nine individual AAs. These 5 AAs encompass all or part of 13 of the CAAs 18 counties. The California AAs are as follows:

- **The San Francisco Bay Area AA** – a contiguous area consisting of the entirety of San Francisco, Marin, San Mateo, Alameda, Contra Costa, Napa, and Sonoma Counties, and a portion of Santa Clara County. This AA encompasses the following areas of the San Jose-San Francisco-Oakland, CA CSA # 448:
 - The San Francisco-Oakland-Fremont, CA MSA # 41860 (San Francisco, Marin, San Mateo, Alameda, and Contra Costa Counties).
 - The Napa, CA MSA # 34900 – Napa County.
 - The Santa Rosa-Petaluma, CA MSA # 42220 – Sonoma County.
 - The San Jose-Sunnyvale-Santa Clara, CA MSA # 41940 – part of Santa Clara County only.
- **The Los Angeles Area AA** - the entirety of the Los Angeles-Long Beach-Santa Ana, CA MSA # 31100 (all of Los Angeles and Orange Counties).
- **The San Diego County AA** – the entirety of the San Diego-Carlsbad-San Marcos, CA MSA # 41740 (all of San Diego County).
- **The Riverside County AA** – a portion of Riverside County (one of two counties comprising the Riverside-San Bernardino-Ontario, CA MSA # 40140).
- **The Santa Barbara County AA** – a portion of Santa Barbara County (the Santa Barbara-Santa Maria-Goleta, CA MSA # 42060).

The San Francisco Bay Area AA hosts several major metropolitan areas, cities, and communities. Among these are the Cities of San Francisco, South San Francisco, Oakland, San Jose, Alameda, Marin, San Mateo, Livermore, Pleasanton, Fremont, Hayward, Berkeley, San Rafael, Antioch, Pittsburg, Contra Costa, Santa Clara, Napa, Santa Rosa, Petaluma, Sonoma, Sebastopol, St. Helena, and Berryessa.

The Los Angeles County portion of the Los Angeles Area AA hosts Cities and communities of Los Angeles, Long Beach, Santa Monica, Downey, Norwalk, Compton, Torrance, Inglewood, Palos Verdes, Burbank, Glendale, Pasadena, San Gabriel, Newhall, Beverly Hills, Hollywood, the Antelope Valley, and the San Fernando Valley. The Orange County portion of the Los Angeles Area AA hosts the Cities and communities of Santa Ana, Anaheim, Garden Grove, El Toro, Costa Mesa, Fountain Valley, Laguna Beach, Newport Beach, Huntington Beach, Seal Beach, San Juan

Capistrano, San Clemente, Mission Viejo, Westminster, Tustin, Yorba Linda, Los Alamitos, Buena Park, Fullerton, La Habra, and Santa Catalina Island.

The San Diego County AA hosts the Cities and communities of San Diego, Camp Pendleton, Escondido, Oceanside, Fallbrook, Ramona, Coronado, Imperial Beach, Chula Vista, La Mesa, National City, Rancho Santa Fe, Carlsbad, Encinitas, San Marcos, Del Mar, El Cajon, Lemon Grove, and the Pauma Valley.

The Riverside County AA hosts the Cities and communities of Palm Springs, Cathedral City, Palm Desert, Rancho Mirage, Thousand Palms, Coachella, La Quinta, Indio, Indian Wells, and Bermuda Dunes.

The Santa Barbara County AA hosts the Cities of Santa Barbara and Carpinteria, as well as the Santa Barbara Islands of Santa Cruz, Santa Rosa, and San Miguel.

Table CA-1 details demographic data for the California AAs.

Table CA-1: Demographic Information for the California Assessment Areas						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A % of #
Census Tracts	4,595	7.5	25.4	34.3	32.3	0.5
Population by Census Tract Income Level	21,682,410	7.0	26.7	36.0	30.2	0.1
Owner-occupied Housing Units by Census Tract Income Level	3,990,181	1.9	15.2	38.4	44.5	0.0
Businesses by Census Tract Income Level	1,750,862	6.4	20.8	33.4	38.9	0.5
Small Businesses by Census Tract Income Level	1,365,491	5.9	19.9	33.5	40.3	0.4
Households by Income Level	7,477,344	23.5	16.4	18.4	41.7	
Families by Income Level	5,031,717	22.1	17.3	19.3	41.3	
Median Family Income		\$62,990	Median Housing Value			\$287,098
Median Household Income		\$55,616	Unemployment Rate			6.3%
Families Below the Poverty Level		10.1%	Percent of Population Below the Poverty Level			11.3%
Households Below the Poverty Level		11.3%	Percent of Population on Public Assistance			4.5%

Source: 2010 U.S. Census data; 2010 D&B data; 2010 Housing and Urban Development (HUD) data

All five of the California's AAs were affected by Federal Emergency Management Agency (FEMA)-declared disasters during the evaluation period:

- San Francisco Bay Area AA.
 - The Glenview Fire affecting San Mateo County; declared September 10, 2010.
- Los Angeles Area AA.
 - The California Crown Fire affecting Los Angeles County; declared July 30, 2010.
 - California winter storms, flooding, and debris and mud flows affecting Orange County; declared January 26, 2011.
- San Diego, Riverside, and Santa Barbara County AAs.
 - California winter storms, flooding, debris and mud flows affecting San Diego, Riverside, and Santa Barbara Counties; declared January 26, 2011.

Economic Information

According to Moody's Economy.com, California's recovery is being weighed down by the lack of growth in its labor market. However, signs are appearing that some formerly troubled real estate-related industries are finally approaching bottom, as evidenced by easing job losses in finance. Technology services, R&D, and trade continue to be the state's primary drivers offsetting lingering weakness in construction and a growing loss of aerospace production. The California unemployment rate stands more than 2.5 percentage points higher than that of the U.S. Housing markets in California which have cooled following the expiration of federal and state housing supports. Home sales have fallen, although prices have remained flat, according to the California Association of Realtors.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS CALIFORNIA ASSESSMENT AREAS

LENDING TEST

FRB's Lending Test performance is rated **High Satisfactory**.

Lending Activity

FRB's lending levels reflect excellent responsiveness to the California AA credit needs. The bank originated 2,126 home mortgage loans, or 86.2 percent of the CAA total, and 359 small business loans, or 82.7 percent of the CAA total, during the evaluation period. These percentages exceed the AAs percentage shares of deposits (73.0 percent), branches (82.7 percent), and ATMs (61.7 percent).

Geographic Distribution

The geographic distribution of loans reflects excellent penetration throughout the California AA. Home mortgage loans were weighted more heavily as they represent approximately 86.2 percent of total loans extended in this AA. Examiners noted no conspicuous gaps in the geographic distribution of loans.

Although the overall numbers and percentages for geographic distribution in the California AA indicate an excellent level of performance, it must be noted that geographic distribution performance in the Los Angeles Area AA was poor as to both HMDA loans and small business loans. This poor performance negatively impacts the California AAs overall geographic distribution performance as the Los Angeles Area AA contains 50.1 percent of the CAAs total number of CTs and 57.3 percent of the California AAs total number of CTs.

HMDA Loans

The geographic distribution of HMDA loans is excellent. Table CA-2 details the bank's geographic distribution performance as to HMDA loans.

Table CA-2: Distribution of HMDA Loans by Census Tract Income Category California Assessment Area								
Census Tract Income Category	Census Tracts*		Owner Occupied Housing Units*	Aggregate Lending Data**	FRB YTD 2011 HMDA Loans			
	#	%	%	%	#	%	\$	%
Low-Income	344	7.5	1.9	1.5	86	4.1	44,197	1.9
Moderate-Income	1,167	25.4	15.2	10.8	222	10.4	162,263	6.7
Middle-Income	1,574	34.2	38.4	34.7	448	21.1	425,371	17.7
Upper-Income	1,487	32.4	44.5	52.9	1,370	64.4	1,774,522	73.7
N/A	23	0.5	0.0	0.1	0	0.0	0	0.0
Total	4,595	100.0	100.0	100.0	2,126	100.0	2,406,353	100.0

** 2010 U.S. Census data; ** 2010 Aggregate HMDA data for all CRA-defined large banks that originated HMDA loans within the AA*

FRB's geographic distribution was well distributed among all CT income categories. The bank's penetration rate of 4.1 percent among low-income CTs was well above the aggregate lending rate of 1.5 percent. The bank's penetration rate of 10.4 percent among moderate-income CTs was comparable to aggregate lending. The bank's lending in LMI CTs demonstrates reasonable performance.

Small Business Loans

Geographic distribution performance as to small business loans was excellent. Table CA-3 details the bank's geographic distribution performance.

**Table CA-3: Distribution of Small Business Loans by Census Tract Income Category
California Assessment Area**

Census Tract Income Category	Census Tracts*		AA Businesses **	Aggregate Lending Data**	FRB YTD 2011 Small Business Loans			
	#	%	%	%	#	%	\$	%
Low-Income	344	7.5	6.4	4.9	44	12.3	198,812	12.9
Moderate-Income	1,167	25.4	20.7	17.1	53	14.8	24,518	16.8
Middle-Income	1,574	34.2	33.5	32.2	112	31.2	43,312	29.6
Upper-Income	1,487	32.4	38.9	45.4	147	40.9	58,521	40.0
N/A	23	0.5	0.5	0.4	3	0.8	1,050	0.7
Total	4,595	100.0	100.00	100.0	359	100.0	146,213	100.0

** 2010 U.S. Census data; ** 2010 Aggregate CRA data for all CRA-defined large banks that originated small business loans within the AA*

FRB's geographic distribution was well distributed among all CT income categories. The bank's penetration rate of 12.3 percent among low-income CTs was significantly above the aggregate lending rate of 4.9 percent, as well as the comparative rates for AA businesses (6.4 percent) and AA low-income CTs (7.5 percent). The bank's penetration rate of 14.8 percent among moderate-income CTs was only slightly below the aggregate lending level. The bank's lending in LMI CTs demonstrates reasonable performance.

Borrower Profile

Overall borrower profile performance was poor. Borrower profile performance as to HMDA loans was poor while borrower profile performance as to small business loans was adequate. More weight is placed on the bank's home mortgage loan performance since it represents approximately 86.2 percent of total loans analyzed in the AA.

HMDA Loans

The borrower distribution of HMDA loans reflects poor penetration among borrowers of different income levels. Table CA-4 details the bank's borrower profile performance as to HMDA loans.

Table CA-4: Distribution of HMDA Loans by Gross Annual Income California Assessment Area				
Borrower Income Level*	AA Families**	Aggregate Lending Data***	FRB YTD 2011 HMDA Loans	
	%	%	#	%
Low-Income	22.1	3.8	18	0.8
Moderate-Income	17.3	11.3	36	1.7
Middle-Income	19.3	20.5	79	3.7
Upper-Income	41.3	59.1	1,632	76.8
Income Not Reported	0.0	5.3	361	17.0
Total	100.0	100.0	2,126	100.0

** Income categories based upon HUD estimated median family income; ** 2010 US Census data; * ** 2010 Aggregate HMDA data for all CRA-defined large banks that originated HMDA loans within the AA*

Although the bank lent to all borrower income categories, the penetration rates among LMI borrowers were well below aggregate lending levels. Less than 1 percent of the bank's HMDA loans were originated to low-income borrowers, while less than 2 percent of HMDA loans were originated to moderate-income borrowers. The bank's HMDA loans were concentrated among upper-income borrowers, in excess of the aggregate lending level.

Small Business Loans

The distribution of small business loans reflects adequate penetration among businesses of different revenue sizes within the California AA. Table CA-5 details the bank's borrower profile performance as to small business loans.

Table CA-5: Distribution of Small Business Loans by Gross Annual Revenue California Assessment Area						
Borrower Income Level*	AA Businesses**	Aggregate Lending Data***	FRB YTD 2011 Small Business Loans			
	%	%	#	%	\$	%
GAR ≤ \$ 1 Million	78.0	36.5	113	31.5	44,009	30.1
GAR > \$ 1 Million	4.7	63.5	239	66.6	98,717	67.5
Income Not Reported	17.3	0.0	7	1.9	3,487	2.4
Total	100.0	100.0	359	100.0	146,213	100.0

** 2010 D&B data; ** 2010 Aggregate CRA data for all CRA-defined large banks that originated small business loans within the AA*

The bank's penetration rate among businesses with GARs of less than or equal to \$1 million is reasonable and approximates the aggregate penetration rate of 36.5 percent.

Table CA-6 provides further analysis by presenting the bank's small business loans by loan size.

CA-6: YTD 2011 Small Business Loans by Loan Size California Assessment Area				
Loan Size	#	%	\$ (000s)	%
Less Than \$100,000	86	23.9	6,042	4.1
≥ \$100,000 ≤ \$250,000	76	21.2	14,652	10.0
Greater Than \$250,000	197	54.9	125,519	85.9
Total	359	100.0	146,213	100.0

Source: Bank-supplied data

The loan size analysis provides additional support for an adequate performance. Nearly 1 quarter of the bank's small business loans in this AA (23.9 percent) were originated in amounts of less than \$100,000. These small business credits frequently support start-up, recently established, and/or small businesses. The bank originated an additional 21.2 percent of its small business loans in amounts of between \$100,000 and \$250,000. Nearly half (45.1 percent) of all small business loans in this AA were originated in amounts of less than or equal to \$250,000. These percentages indicate that the bank is meeting the credit needs of smaller-sized businesses. Noteworthy is the fact that, according to community contacts, one of the primary credit needs for businesses in this AA is for smaller-sized loans to start-up or existing small businesses.

Community Development Loans

FRB made a relatively high level of CD loans in the California AA. The bank originated 209 CD loans totaling \$408.7 million within this AA during the evaluation period, which represents 92.1 percent by number, and 93.3 percent by dollar volume. Approximately 93.2 percent by number and 94.5 percent by dollar volume, of this AAs CD loans provided for the construction or rehabilitation of affordable housing units, or supported organizations that provide affordable housing.

FRB extended CD loans in Enterprise Zones, Community Renewals Areas, Redevelopment Areas, and Empowerment Zones throughout the California AA. A majority of CD loans extended in this AA (56.9 percent by number and 50.8 percent by dollar volume) were targeted towards California State Enterprise Zones.

The following are examples of some noteworthy CD loans originated in this AA during the evaluation period.

- FRB originated a loan for \$18.5 million to an individual for the refinancing of a large multi-family dwelling located in a moderate-income CT. The 180-unit apartment provides affordable housing for LMI families in the geographical area.

- FRB originated a loan for \$2.9 million to refinance a 37-unit multi-family apartment complex located in a moderate-income CT of Los Angeles. Thirty-six of 37 units are for affordable housing which benefits LMI families in the geographical area.
- FRB originated a loan for \$4.2 million for the refinancing of 2 industrial buildings converted for mixed-use retail. The subject property is located in a designated Enterprise Zone designated for redevelopment and rehabilitation of the geographical area.
- FRB originated a loan for \$3.5 million to finance the purchase of a multi-tenant shopping center located in a designated Central City Redevelopment Project Area in Santa Barbara.

Table CA-7 details FRB's CD lending for all the California AAs.

Table CA-7: Community Development Loans in the California Assessment Area										
Assessment Area	All Community Development Loans		Affordable Housing		Revitalize/Stabilize		Economic Development		Community Service	
	# Total	\$ Total (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
San Francisco Bay Area	177	361,485	85	144,234	67	161,822	20	54,164	5	1,265
Los Angeles Area	14	14,856	8	8,506	4	5,000	1	1,300	1	50
San Diego County	14	22,136	14	22,136						
Riverside County										
Santa Barbara County	4	10,225	2	3,625	2	6,600				
Total	209	408,702	109	178,501	73	173,422	21	55,464	6	1,315

Source: Bank-supplied data

Innovative or Flexible Lending Practices

The bank used the entirety of its menu of innovative and/or flexible lending programs to address the credit needs of the AA, including LMI individuals or geographies. All innovative and/or flexible lending programs offered by FRB were available throughout the California AA. Documentation maintained by FRB could not delineate by individual AA, the number or dollar volume of loans originated under each flexible lending program. Please refer to the innovative or flexible lending practices comments within the CAA section of this evaluation for details.

Record of Serving the Credit Needs of the Highly Economically Disadvantaged

FRB exhibited a good record of serving the credit needs of the most economically disadvantaged geographies, individuals, and businesses of the California AA. Geographic distribution was excellent. Although the bank's penetration among LMI HMDA borrowers needs to improve, the bank's borrower profile performance among small businesses was adequate, especially as evidenced by the large percentage of small business loans originated in amounts of less than or equal to

\$250,000. During the 16-month evaluation period, the bank extended a relatively high level of CD loans, which was responsive to affordable housing and economic development needs, both critical items according to the community contacts. The bank's CD lending in this AA has been particularly responsive to geographic areas specifically designated by state, county, and municipal governments as being in special need of economic development, revitalization, or stabilization. The bank was responsive to the credit needs of LMI individuals, geographies, and small businesses through the use of innovative and/or flexible lending programs.

INVESTMENT TEST

FRB's Investment Test performance is rated **High Satisfactory**.

FRB transacted a significant level of qualified investments in the California AA, including those that are not routinely provided by private investors. The types of qualified investments transacted by FRB, reflects good responsiveness to credit and community economic development needs of the community. The bank used complex LIHTC investments to support affordable housing, a critical need throughout the State of California and especially in the high- housing-cost areas of the San Francisco Bay Area AA and the Los Angeles Area AA. Noteworthy is the fact that there were no gaps in this AAs investment allocation as all five AAs within the California AA benefited in one form or another from both direct and indirect qualified investments.

Qualified Investments and Grants

Within the California AA, the bank transacted 25 qualified direct investments totaling \$89.7 million during the evaluation period. These 25 direct investments represent 80.7 percent of the CAA totals by number and 81.7 percent by dollar volume. The relative percentages of CAA investments mirror the AAs relative shares of CAA deposits (73.0 percent), branches (82.7 percent), ATMs (61.7 percent), and lending volume (85.7 percent).

Of the 25 qualified investments, 16 investments were LIHTCs totaling \$79 million or 88 percent of the AA total by dollar volume. Seven investments were MBSs supporting affordable housing throughout the AA totaling \$10.5 million. The remaining 2 investments totaling \$230,000 were grants to affordable housing programs.

Table CA-8 details the California AAs qualified investment performance.

Table CA-8: Qualified Investments in the California Assessment Area										
Assessment Area	All Qualified Investments		Affordable Housing		LMI Geographies		Economic Development		LMI Social Services	
	# Total	\$ Total (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
San Francisco Bay Area	15	34,402	15	34,402						
Los Angeles Area	4	29,656	4	29,656						
San Diego County	1	2,270	1	2,270						
Riverside County	4	5,723	4	5,723						
Santa Barbara County	1	17,700	1	17,700						
Total	25	89,751	25	89,751						

Source: Bank-supplied data

Not depicted in Table CA-8 is FRB's indirect investment activity of \$18.1 million that benefited the larger statewide area that included the bank's California AA. These investments were primarily LIHTCs totaling \$17.5 million. FRB's IOLTAs presented an additional \$605,000 investment, which was contributed to the State Bar of California for the sole purpose of funding civil legal services to indigent, low-income people.

Qualified Donations

FRB's qualified donations totaled an additional \$629,000, or 85.1 percent of the CAA total of \$739,000. Notable recipients of the bank's donations included the following social service organizations serving the needs of LMI children, individuals, and families: Upward Bound House, the Maple Counseling Center, United Friends of the Children, Ocean Pacific Community Center, and the Reprise Theatre Company.

Table CA-9 displays the breakdown of qualified donations and grants as they pertain to affordable housing, LMI geographies, economic development, and LMI social services within the California AAs five individual AAs.

Table CA-9: Qualified Donations and Grants in the California Assessment Area

Assessment Area	All Qualified Donations and Grants		Affordable Housing		LMI Geographies		Economic Development		LMI Social Services	
	# Total	\$ Total (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
San Francisco Bay Area	80	553	10	57	1	15	7	49	62	432
Los Angeles Area	9	72	1	1					8	71
San Diego County	1	3							1	3
Riverside County										
Santa Barbara County	1	1							1	1
Total	91	629	11	58	1	15	7	49	72	507

Source: Bank-supplied data

SERVICE TEST

FRB's Service Test performance is rated **High Satisfactory**.

FRB exhibited good service performance within the California AA. Retail banking services are accessible to essentially all portions of the AA. Services and business hours do not vary in a way that inconveniences its AA. Changes in branch locations have not adversely affected the accessibility of delivery systems. The bank provided a relatively high level of CD services.

Assessment Area Distribution and Accessibility of Delivery System

FRB operates 48 full-service branches within the California AA: 33 in the San Francisco Bay Area, 8 in the Los Angeles Area, 5 in San Diego County, 1 in Riverside County, and 1 in Santa Barbara County. The bank's branches are well distributed among all 4 CT income categories and represent fully 82.7 percent of the CAAs total of 58 full-service branches. Noteworthy is the high percentage (12.5 percent) of bank branches located in the CAAs low-income CTs, especially when compared to AA population and the number of CTs within these low-income areas.

Table CA-10 details FRB's branch and ATM distributions by CT income categories.

**Table CA-10: Branch and ATM Distribution by Census Tract Income Category
California Assessment Area**

Census Tract Income Category	Census Tracts*		Total Population*		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	344	7.5	1,522,762	7.0	6	12.5	25	17.6
Moderate	1,167	25.4	5,787,683	26.7	3	6.3	15	10.5
Middle	1,574	34.2	7,806,398	36.0	16	33.3	41	28.9
Upper	1,487	32.4	6,546,788	30.2	23	47.9	61	43.0
N/A	23	0.5	18,779	0.1	0	0.0	0	0.0
Total	4,595	100.0	21,682,410	100.0	48	100.0	142	100.0

* 2010 U.S. Census data

Alternative Delivery Systems

Automated Teller Machines

The California AA has 142 ATMs: 102 in the San Francisco Bay Area AA, 25 in the Los Angeles Area AA, 9 in San Diego County, 2 in Riverside County, and 4 in Santa Barbara County. All 48 branches in the AA have an attached ATM. This AAs 142 ATMs represent 61.7 percent of the CAAs total of 230. ATMs are well distributed among all four CT income categories. Noteworthy is the high percentage (17.6 percent) of ATMs located within low-income CTs, especially when compared to AA population and the number of CTs within these low-income areas.

Internet Banking, Telebanking, and Other Alternate Delivery Systems

All alternate delivery systems offered by FRB are available throughout the California AA.

Changes in Branch Locations

No branches were closed or relocated in the California AA during the evaluation period. The bank opened two branches in upper-income CTs of the San Francisco Bay Area AA: one in San Mateo County in March of 2011 and one in Alameda County in August of 2011. The bank's record of opening, closing, or relocating branches has not adversely affected the accessibility of its delivery system, particularly among LMI geographies and/or LMI individuals.

Reasonableness of Services and Business Hours in Meeting Assessment Area Needs

Services and business hours are tailored to the convenience and needs of the AA, particularly LMI geographies and/or individuals. Services and business hours do not vary in any way that inconveniences the AA, particularly LMI geographies and LMI individuals.

Community Development Services

A relatively high level of CD services benefited the California AA. A total of 199 bank employees (4.2 employees per branch representing 73.7 percent of the CAA total of 270 employees), including senior management and Board members, volunteered 1,832 CD service hours, or 82.3 percent of the CAA total of 2,225 hours. Employees volunteered their expertise and time, to serve on various boards and committees, of organizations involved with economic development, affordable housing, and CD social services.

In addition to volunteered hours of service and expertise, the bank's *Financial Education Program* and *Non-profit Banking Program* were available within this AA.

CALIFORNIA METROPOLITAN AREAS – FULL-SCOPE EVALUATIONS

SAN FRANCISCO BAY AREA ASSESSMENT AREA

DESCRIPTION OF THE SAN FRANCISCO BAY AREA ASSESSMENT AREA

The San Francisco Bay Area AA is a contiguous area consisting of the entirety of the San Francisco, Marin, San Mateo, Alameda, Contra Costa, Napa, and Sonoma Counties, and a portion of Santa Clara County. This AA encompasses the following areas of the San Jose-San Francisco-Oakland, CA CSA # 448:

- The San Francisco-Oakland-Fremont, CA MSA # 41860 (San Francisco, Marin, San Mateo, Alameda, and Contra Costa Counties).
- The Napa, CA MSA # 34900 – Napa County.
- The Santa Rosa-Petaluma, CA MSA # 42220 – Sonoma County.
- The San Jose-Sunnyvale-Santa Clara, CA MSA # 41940 – that part of northwest Santa Clara County in and around the City of Santa Clara.

The San Francisco Bay Area AA hosts several major metropolitan areas, cities, and communities. Among these are the cities of San Francisco, South San Francisco, Oakland, San Jose, Alameda, Marin, San Mateo, Livermore, Pleasanton, Fremont, Hayward, Berkeley, San Rafael, Antioch, Pittsburg, Contra Costa, Santa Clara, Napa, Santa Rosa, Petaluma, Sonoma, Sebastopol, St. Helena, and Berryessa.

Table SF-1 details demographic data for the San Francisco Bay Area AA.

Table SF-1: Demographic Information for the San Francisco Bay Area Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A % of #
Census Tracts	1,255	7.4	21.2	43.5	27.7	0.2
Population by Census Tract Income Level	6,025,512	6.4	21.2	45.7	26.7	0.0
Owner-occupied Housing Units by Census Tract Income Level	1,257,497	2.1	13.3	48.3	36.3	0.0
Businesses by Census Tract Income Level	488,201	8.6	18.1	41.7	31.5	0.1
Small Businesses by Census Tract Income Level	381,284	7.7	17.3	42.2	32.8	0.0
Households by Income Level	2,232,137	23.2	16.7	19.2	40.9	
Families by Income Level	1,423,110	20.8	17.8	21.2	40.2	
Median Family Income		\$77,595	Median Housing Value			\$386,440
Median Household Income		\$66,787	Unemployment Rate			4.4%
Families Below the Poverty Level		5.8%	Percent of Population Below the Poverty Level			7.7%
Households Below the Poverty Level		7.7%	Percent of Population on Public Assistance			3.0%

Source: 2010 U.S. Census data; 2010 D&B data; 2010 Housing and Urban Development (HUD) data

During the evaluation period, the San Francisco Area AA was affected by one FEMA-declared disaster: the Glenview Fire affecting San Mateo County.

Economic Information

According to Moody's Economy.com, the San Francisco-Oakland-Fremont MSA economy demonstrates strong growth in the tech industries; however, recovery is being weighed down by construction and finance. Total payrolls are declining, as temporary gains from census hiring and stimulus-funded construction faded away. Even with an unemployment rate above 9 percent and continuing job losses, San Francisco-Oakland-Fremont MSA is one of California's more resilient labor markets. Unemployment remains below the U.S. rate and is more than 3 percentage points below the states. The housing market is showing modest signs of strength in contrast to most other major metro areas in the West. House prices have avoided large declines following the end of federal and state supported housing. High business and residential costs will keep San Francisco-Oakland-Fremont from experiencing greater than average growth beyond the immediate recovery period.

Manufacturing, education, and healthcare are holding steady, but construction is still downsizing at a rapid pace, as homebuilding and house prices have yet to rebound. Meanwhile, retail trade and

leisure/hospitality are also deteriorating as tourism struggles. The unemployment rate is high, at 9.7 percent, although it is on par with the nation and well below the state average.

The Santa Rosa-Petaluma MSA economy is showing signs of recovery and is regaining momentum. Although modest, recent improvements are spread throughout key tech, tourism and wine industries. Small employment gains and a stabilizing labor force have pushed the unemployment rate closer to 10 percent, higher than the U.S., but more than 2 percentage points below California's. Improvements in real estate markets are modest. House prices have avoided a sharp decline following the end of federal and state tax credits, but remain close to their lowest level reached in the first half of 2009. Similarly, residential construction permits are no longer declining, but remain at multi-decade lows.

The San Jose-Sunnyvale-Santa Clara MSA economy has slowed. Fewer permanent jobs are being created outside of tech manufacturing and R&D, thus limiting total job growth in recent months. The unemployment rate is above the U.S. average, but is more than a point below the California rate. Home prices have fallen slightly following the end of federal and state supported housing. Residential construction has fared better with new permits trending upward. This has helped to slow the loss of construction jobs. San Jose's recovery will strengthen in 2011 as growth spreads beyond its expanding tech industries.

Community Contact Observations

Examiners used four community contacts in its evaluation of the San Francisco Bay Area AA. Two new contacts were conducted with this evaluation, and examiners used two recent contacts conducted with other evaluations.

New Community Contacts

One community contact was conducted with a non-profit organization headquartered in San Jose, Santa Clara County. The mission of the organization is to advance the economic well-being of working people by helping them earn, save, and invest in their future. The non-profit combines micro-loans for small businesses, start-up businesses, and LMI business owners; Individual Development Account (IDA) micro savings accounts to help LMI families and individuals build savings for the future; and community real estate financing for affordable housing, schools, healthcare clinics, and other community assets. This organization serves the Counties of San Francisco, Alameda, San Mateo, Contra Costa, Marin, Santa Clara, Sonoma, and Napa. The organization receives funding from income on its loan programs, sponsorships from private companies, and grants from federal, state, and local governments. AA credit needs identified by the contact included affordable housing for LMI individuals and families, financial education, long-term savings program, and financing for small businesses, start-up, and LMI business owners.

Examiners conducted a second community contact with a municipal affordable housing corporation headquartered in Palo Alto, Santa Clara County. The mission of this non-profit organization is to foster, develop, acquire, and manage LMI housing in Palo Alto and the adjoining areas of southern San Mateo County and southwestern Alameda County. Through its affiliated entities, the organization administers the City of Palo Alto's Below Market Rate Program, develops and acquires

rental housing units (currently over 600 units), manages affordable rental units and single-family homes, and advocates for affordable housing for LMI individuals and families. The organization's properties and activities are funded by a number of agencies, including HUD's Section 8 Moderate Rehabilitation Program, the California Housing Finance Agency, the California Tax Credit Allocation Committee, the FHLB AHP, the nationwide Home Investment Partnership Program, and federal CD block grants. The contact stated that their service area is a high-income area and that the resulting high cost of housing creates a barrier to LMI individuals and families. Many people who work or grew up in this area cannot afford to live there. Thus, there is a great need for more affordable rental units and owner-occupied single-family homes. The contact stated that banks are important sources of funds for affordable housing and first-time homebuyer credit.

Existing Community Contacts

Examiners used a recent community contact with a non-profit economic development association. The association, headquartered in San Francisco, consists of a statewide network of 88 non-profit micro-lenders and micro-enterprise development organizations that provide lending assistance and funding to micro-businesses, small businesses, and start-up businesses throughout California. The association and its affiliates serve all of California. The San Francisco office concentrates on the greater San Francisco Bay Area. The association's mission is to promote economic opportunity, growth, and sustainability through micro- and small-enterprise economic development. The association's activities include technical assistance, lending, and business incubation. The association receives its funding from lending operations, government agencies such as HUD and the SBA, and from financial institutions. The contact noted that over the last two years, banks have pulled back their sponsorship funding due to the recession. Critical credit needs include capital for micro-, start-up, and small businesses (loans under \$100,000), as well as funding for technical assistance and financial education for the owners of these businesses. An increase in sponsorship funding and grants is also needed to help the association continue its pipeline of services and credit.

The second existing community contact was with a non-profit community reinvestment institute headquartered in Berkeley, Alameda County. The institute partners with 40 economic development and affordable housing entities statewide. The Berkeley office focuses on serving the needs of San Francisco and Alameda Counties. The institute's mission is to promote economic development and home ownership throughout LMI communities. The institute engages in policy research, advocacy, and facilitation among and between various economic development and affordable housing organizations and providers of credit. The institute has entered into 10-year CRA agreements with several financial institutions throughout the San Francisco Bay Area AA. Through these agreements, the financial institutions commit to certain goals for affordable home lending and micro-enterprise, start-up, and small business lending. A major economic development emphasis is on job creation and job retention within the communities served. In addition to these initiatives, the institute works with financial institutions to support affordable health care services and with public utility commissions (PUCs) to assist LMI individuals and families with their utility payments. The institute's funding is multi-faceted, including foundation funding, intervention fees earned by PUC lawyers for PUC judgments, rental income from affordable housing rental units owned by the institute, and from corporate sponsors. The greatest AA needs include funding for affordable housing, and micro-, start-up, and small businesses, especially with an eye towards creating new jobs

or preserving existing jobs. Additional assistance is needed to support research and conferences dealing with affordable housing and economic development.

Market Share

As of June 30, 2011, FRB competed with 100 other FDIC-insured banking or savings institutions operating 1,554 offices within the San Francisco Bay Area AA. FRB's market share of FDIC-insured deposits within the county was 3.4 percent, representing a 6th place ranking. Competitor institutions include nation-wide banks such as Bank of America, Wells Fargo Bank, and Citibank National, as well as regional, statewide, and local banks such as Silicon Valley Bank, Mechanics Bank, and California Bank and Trust. Additionally, FRB competes with thrifts, credit unions, finance companies, mortgage companies, and other financial service providers for deposit and loan customers throughout the San Francisco Bay Area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS SAN FRANCISCO BAY AREA ASSESSMENT AREA

LENDING TEST

Lending Activity

FRB's lending levels reflect excellent responsiveness to the San Francisco Bay Area AA credit needs. The bank originated 1,674 home mortgage loans, or 67.9 percent of the CAA total, and 271 small business loans, or 62.4 percent of the CAA total, during the evaluation period.

Geographic Distribution

The geographic distribution of loans reflects excellent penetration within the San Francisco Bay Area AA. Home mortgage loans were weighted more heavily as they represent approximately 86.1 percent of total loans originated in this AA during the evaluation period. Examiners noted no conspicuous gaps in the geographic distribution of loans. The San Francisco Bay Area AAs share of CAA CTs is 23.9 percent.

HMDA Loans

Performance as to the geographic distribution of HMDA loans throughout the San Francisco Bay Area AA is excellent. Table SF-2 details the bank's geographic distribution performance as to HMDA loans.

**Table SF-2: Distribution of HMDA Loans by Census Tract Income Category
San Francisco Bay Area Assessment Area**

Census Tract Income Category	Census Tracts*		Owner Occupied Housing Units*	Aggregate Lending Data**	FRB YTD 2011 HMDA Loans			
	#	%	%	%	#	%	\$	%
Low-Income	93	7.4	2.1	1.7	80	4.8	38,533	2.1
Moderate-Income	266	21.2	13.3	9.9	203	12.1	146,455	7.9
Middle-Income	546	43.5	48.3	43.0	397	23.7	390,134	21.2
Upper-Income	347	27.7	36.3	45.4	994	59.4	1,266,945	68.8
N/A	3	0.2						
Total	1,255	100.0	100.0	100.0	1,674	100.0	1,842,067	100.0

** 2010 U.S. Census data; ** 2010 Aggregate HMDA data for all CRA-defined large banks that originated HMDA loans within the AA*

FRB's geographic distribution is well distributed as it lent to all CT income categories. The bank's penetration among low-income CTs is 4.8 percent, which exceeds the comparative percentages for aggregate lending and owner-occupied housing units. The bank's penetration among moderate-income CTs at 12.1 percent exceeds the comparative percentage for aggregate lending and approximates the percentage for owner-occupied housing units.

Small Business Loans

The geographic distribution of small business loans reflects excellent penetration throughout the San Francisco Bay Area AA. Table SF-3 details the bank's geographic distribution performance as to small business loans.

**Table SF-3: Distribution of Small Business Loans by Census Tract Income Category
San Francisco Bay Area Assessment Area**

Census Tract Income Category	Census Tracts*		AA Businesses **	Aggregate Lending Data**	FRB YTD 2011 Small Business Loans			
	#	%	%	%	#	%	\$	%
Low-Income	93	7.4	8.6	6.8	43	15.9	17,812	15.6
Moderate-Income	266	21.2	18.1	15.6	43	15.9	19,228	16.9
Middle-Income	546	43.5	41.7	40.8	94	34.7	37,587	33.0
Upper-Income	347	27.7	31.5	36.8	91	33.5	39,328	34.5
N/A	3	0.2	0.1	0.0	0	0.0	0	0.0
Total	1,255	100.0	100.0	100.0	271	100.0	113,955	100.0

** 2010 U.S. Census data; ** 2010 Aggregate CRA data for all CRA-defined large banks that originated small business loans within the AA*

FRB's geographic distribution is well distributed as it lent to all CT income categories. The bank's penetration among low-income CTs at 15.9 percent, is significantly higher than the comparative percentages for aggregate lending, owner-occupied housing units, and AA CTs. The bank's penetration among moderate-income CTs is 15.9 percent, which is slightly exceeds the aggregate lending penetration rate of 15.6 percent.

Borrower Profile

The distribution of borrowers reflects a poor performance overall. Although the borrower profile performance is adequate for small business loans, the bank's penetration rates among HMDA borrowers of different income levels are poor. More weight is placed on the bank's home mortgage loan performance since it represents approximately 86.1 percent of total loans originated in this AA during the evaluation period.

HMDA Loans

The distribution of home mortgage loans reflects poor penetration among borrowers of different income levels. Table SF-4 details the bank's borrower profile performance as to HMDA loans.

Table SF-4: Distribution of HMDA Loans by Gross Annual Income San Francisco Bay Area Assessment Area				
Borrower Income Level*	AA Families**	Aggregate Lending Data***	FRB YTD 2011 HMDA Loans	
	%	%	#	%
Low-Income	20.8	4.5	17	1.0
Moderate-Income	17.8	12.2	30	1.8
Middle-Income	21.2	21.4	68	4.1
Upper-Income	40.2	57.9	1,251	74.7
Income Not Reported	0.0	4.0	308	18.4
Total	100.0	100.0	1,674	100.0

** Income categories based upon HUD estimated median family income; ** 2010 US Census data; * ** 2009 Aggregate HMDA data for all CRA-defined large banks that originated HMDA loans within the AA*

Of 1,674 HMDA loans extended within the San Francisco Bay Area AA, only 17 or 1.0 percent were originated to low-income individuals. Only 30 of 1,674 HMDA loans (1.8 percent) were originated to moderate-income individuals. Both the low-income and moderate-income penetration rates are noticeably below the comparative percentages for aggregate lending and AA families. Additionally, the bank's distribution was significantly skewed toward upper-income individuals at 74.7 percent, well above both comparative percentages.

Small Business Loans

The distribution of small business loans reflects adequate penetration among businesses of different revenue sizes within the San Francisco Bay Area AA. Table SF-5 details the bank's small business borrower profile performance.

Table SF-5: Distribution of Small Business Loans by Gross Annual Revenue San Francisco Bay Area Assessment Area						
Borrower Income Level*	AA Businesses**	Aggregate Lending Data***	FRB YTD 2011 Small Business Loans			
	%	%	#	%	\$	%
GAR ≤ \$ 1 Million	78.1	40.4	84	31.0	34,041	29.9
GAR > \$ 1 Million	4.9	59.6	182	67.2	77,677	68.1
Income Not Reported	17.0	0.0	5	1.8	2,237	2.0
Total	100.0	100.0	271	100.0	113,955	100.0

* 2010 D&B data; ** 2009 Aggregate CRA data for all CRA-defined large banks that originated small business loans within the AA

FRB's penetration among borrowers with GARs of less than or equal to \$1 million was 31.0 percent, below the aggregate level but still representing nearly a third of the bank's total small business lending in this very competitive and high-income AA.

Table SF-6 provides further analysis by presenting the bank's small business loans by loan size.

SF-6: YTD 2011 Small Business Loans by Loan Size San Francisco Bay Area Assessment Area				
Loan Size	#	%	\$ (000s)	%
Less Than \$100,000	58	21.4	4,078	3.6
≥ \$100,000 ≤ \$250,000	58	21.4	11,377	10.0
Greater Than \$250,000	155	57.2	98,500	86.4
Total	271	100.0	113,955	100.0

Source: Bank-supplied data

The loan size analysis provides additional support for an adequate performance. Of the 271 small business loans originated, 42.8 percent were originated in amounts of less than or equal to \$250,000. These small business credits frequently support start-up, recently established, and/or small businesses. These stratifications further demonstrate that the bank is meeting the credit needs of smaller-sized businesses. Noteworthy is the fact that, according to the community contacts, one of the primary credit needs in this AA is for smaller-sized loans to start-up or existing small businesses.

Community Development Loans

FRB was a leader in making CD loans throughout its San Francisco Bay Area AA. The bank originated 177 CD loans totaling \$361.4 million within this AA during the evaluation period, which represents 78.0 percent by number and 82.6 percent by dollar volume of total CD loans originated throughout the CAA. Of the bank's total CD loans, 72.6 percent by number, and 76.4 percent by dollar volume, provided for the construction or rehabilitation of affordable housing units, and supported organizations that provide affordable housing.

FRB extended CD loans in Enterprise Zones, Community Renewals Areas, Redevelopment Areas, and Empowerment Zones within the San Francisco Bay Area AA. A majority of CD loans directly benefited State of California Enterprise Zones (54.7 percent by number and 51.8 percent by dollar volume).

The following are examples of some noteworthy CD loans originated in this AA during the evaluation period.

- FRB originated an \$18.5 million loan to an individual for the refinancing of a large multi-family dwelling located in a moderate-income CT. The 180-unit apartment provides affordable housing for LMI families in the geographical area.
- FRB originated a \$11.7 million loan to a company for the refinancing of a 4-story mixed-use loft building located in the South-of-Market district of San Francisco. The property is located in a moderate-income CT within a specially designated Renewal Community. The financing of this subject property helps revitalize and stabilize the LMI neighborhood by retaining and attracting businesses to the area.
- FRB originated a \$10 million loan to a company for the financing of a research facility located in a designated Renewal Community. The financing of the subject property helps revitalize, stabilize, and attract new businesses to the area.
- FRB originated a \$9.2 million loan for the financing of a 104-unit residential apartment located in a Redevelopment Zone. The subject property is also located in a low-income CT where 17 percent of the residents live below the poverty line. All 104 units of the subject property provide affordable housing for LMI families in the geographical area.

Innovative and/or Flexible Lending Practices

The bank used its whole menu of innovative and/or flexible lending programs in a safe and sound manner to address the credit needs of the AA, including LMI individuals or geographies. All innovative and/or flexible lending programs offered by FRB were available throughout the San Francisco Bay Area AA. Documentation maintained by FRB could not delineate by individual AA the number or dollar volume of loans originated under each flexible lending program. Please refer to the innovative or flexible lending practices comments within the CAA section of this evaluation for details.

Record of Serving the Credit Needs of the Highly Economically Disadvantaged

FRB exhibited a good record of serving the credit needs of the most economically disadvantaged geographies, individuals, and businesses of the San Francisco Bay Area AA. Geographic distribution was excellent. Although the bank's penetration among LMI HMDA borrowers needs to improve, the bank's borrower profile performance among small businesses was adequate, especially as evidenced by the percentage of small business loans originated in amounts of less than or equal to \$250,000. The bank demonstrated strong focus and commitment to AA credit needs, especially as to affordable housing and economic development, in its portfolio of CD loans. The bank's CD lending in this AA was also particularly responsive to geographic areas designated by the state, county, and municipal governments. Specifically, the bank was responsive to extending loans for economic development, revitalization, and stabilization. The bank was responsive to the credit needs of LMI individuals, geographies, and small businesses through the use of its innovative and/or flexible lending programs.

INVESTMENT TEST

Qualified Investments

FRB transacted a significant level of qualified investments in the San Francisco Bay Area AA, including those that are not routinely provided by private investors. The types of qualified investments transacted by FRB in this AA, reflects good responsiveness to credit and community economic development needs of the community. The bank used complex LIHTC investments to support affordable housing, a critical need throughout the State of California and the San Francisco Bay Area AA. Noteworthy is the fact that there were no gaps in this AAs investment allocation as all seven counties within the San Francisco Bay Area AA benefited in one form or another from both direct and indirect qualified investments.

FRB's investment activities within this AA included 15 qualified investments totaling \$34.4 million, representing 48.4 percent by number and 31.3 percent by dollar volume. This AAs qualified investments exclusively supported affordable housing initiatives. Table SF-7 on the following page describes in detail affordable housing investments within the different counties representing the San Francisco AA.

Table SF-7: Qualified Investments in the San Francisco Bay Area Assessment Area

County	All Qualified Investments		Affordable Housing		LMI Geographies		Economic Development		LMI Social Services	
	# Total	\$ Total (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
San Francisco	3	1,375	3	1,375						
Marin	1	2,000	1	2,000						
San Mateo	2	4,456	2	4,456						
Alameda	1	4,690	1	4,690						
Contra Costa	3	11,900	3	11,900						
Napa	2	2,249	2	2,249						
Sonoma	2	3,492	2	3,492						
Santa Clara	1	4,240	1	4,240						
Total	15	34,402	15	34,402						

Source: Bank-supplied data

The following are notable qualified investments made or held in this AA:

- LIHTCs – FRB has invested approximately \$96.3 million (88 percent) in LIHTCs. A LIHTC is a tax credit that gives incentives for the utilization of private equity in the development of affordable housing aimed at low-income individuals or families.
- MBS – FRB purchased or participated approximately \$11.2 million (10 percent) in MBS. These MBS are home mortgage loans to LMI individuals and/or LMI geographies.
- WISH - In conjunction with the AHP, FRB participates in the WISH program. The WISH program provides up to \$15,000 for each participating household, matching up to \$3 for each \$1 contributed by the homebuyers. FRB must set aside a percentage of its annual AHP contribution to fund the WISH program. During the evaluation period, FRB has allocated \$200M for the WISH program.
- AHEAD - FRB participates in FHLB's AHEAD program. The AHEAD program is a recoverable grant program that targets economic development and affordable housing initiatives during their conception and early development stages. AHEAD grants, made to bank members working with local community groups, can be used to fund projects that will produce housing, services, or other benefits for LMI households, result in the creation or retention of jobs, or facilitate public or private infrastructure improvements. AHEAD projects are eligible under the FHLB's CIP. FRB sponsored three non-profit partners for an AHEAD grant. In 2011, FRB selected 1 of these partners, a CAMEO in the San Francisco Bay Area AA, to receive a \$30,000 grant.

- Bank on San Francisco Pay Day Plus Loan Program – FRB participated in the Bank of San Francisco Pay Day Plus Loan Program. This is an especially innovative program whereby FRB partners with a San Francisco Bay Area credit union to provide low-cost, small-dollar loans to mostly LMI individuals. The program allows individuals to borrow \$50 to \$500 without higher fees. In addition, the borrower’s payment history is reported by the credit union to credit bureaus, thus helping the borrower to build a credit history. Borrowers are also connected to community-focused financial education and other resources. FRB provided the credit union with a \$5,000 grant.

Additionally, the San Francisco Bay Area AA indirectly benefited from the \$17.6 million in statewide LIHTCs and the \$605,000 in statewide IOLTAs.

Qualified Donations

In addition to investments, FRB’s qualified donations totaled over half a million dollars, representing 74.8 percent by number. Notable recipients of the bank’s donations include Upward Bound House, the Maple Counseling Center, United Friends of the Children, Ocean Pacific Community Center, and the Reprise Theatre Company.

SERVICE TEST

FRB exhibited excellent service performance within the San Francisco Bay Area AA. Retail banking services are readily accessible to geographies and individuals of different income levels throughout the AA. Services and business hours do not vary in a way that inconveniences the AA, particularly LMI geographies and individuals. Changes in branch locations have not adversely affected the accessibility of delivery systems. The bank is a leader in providing CD services.

Assessment Area Distribution of Retail Banking Services

FRB operates 33 full-service branches within the San Francisco Bay Area AA, representing 56.9 percent of the CAA total of 58 branches. The bank’s branches are well distributed among all four CT income categories. Noteworthy is FRB’s branch presence within low-income CTs. Table SF-8 details the branch and ATM distributions by CT within this AA.

**Table SF-8: Branch and ATM Distribution by Census Tract Income Category
San Francisco Bay Area Assessment Area**

Census Tract Income Category	Census Tracts*		Total Population*		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	93	7.4	388,252	6.4	5	15.1	20	19.6
Moderate	266	21.2	1,274,688	21.2	3	9.1	10	9.8
Middle	546	43.5	2,751,345	45.7	12	36.4	35	34.3
Upper	347	27.7	1,610,497	26.7	13	39.4	37	36.3
N/A	3	0.2	730	0.0	0	0.0	0	0.0
Total	1,255	100.0	6,025,512	100.0	33	100.0	102	100.0

* 2010 U.S. Census data

Alternative Delivery Systems

The San Francisco Bay Area AA has 102 ATMs, representing 44.4 percent of the CAAs total of 230 ATMs. These ATMs are well distributed among all four CT income categories. Noteworthy is FRB's ATM presence within low-income CTs. Internet banking, telebanking, and other alternative delivery systems are readily available to bank customers throughout this AA. Services and business hours do not vary that inconveniences the AA, particularly LMI geographies and/or individuals.

Changes in Branch Locations

No branches were closed or relocated in the San Francisco Bay Area AA during the evaluation period. The bank opened two branches in upper-income CTs of the San Francisco Bay Area AA; one in San Mateo County in March of 2011 and one in Alameda County in August of 2011. The bank's record of opening, closing, or relocating branches has not adversely affected the accessibility of its delivery system, particularly among LMI geographies and/or individuals.

Community Development Services

FRB is a leader in providing CD services throughout the San Francisco Bay Area AA. A total of 144 bank employees or 53.3 percent of the CAA total of 270 employees, volunteered 1,232 CD service hours, representing 55.4 percent of the CAA total service hours. A significant number of CD service hours (91.0 percent) were provided to LMI social services, followed by affordable housing services at 6.5 percent, and economic development services at 2.5 percent.

Employees volunteered their expertise and time to serve on various boards and committees of organizations involved with affordable housing and CD social services.

In addition to volunteered hours of service and expertise, the bank's *Financial Education Program* and *Non-profit Banking Program* were available within this AA.

LOS ANGELES AREA ASSESSMENT AREA

DESCRIPTION OF THE LOS ANGELES AREA ASSESSMENT AREA

The Los Angeles Area AA consists of the entirety of the Los Angeles-Long Beach-Santa Ana, CA MSA # 31100 (all of Los Angeles and Orange Counties).

The Los Angeles County portion of the Los Angeles Area AA hosts Cities and communities of Los Angeles, Long Beach, Santa Monica, Downey, Norwalk, Compton, Torrance, Inglewood, Palos Verdes, Burbank, Glendale, Pasadena, San Gabriel, Newhall, Beverly Hills, Hollywood, the Antelope Valley, the San Fernando Valley, Santa Catalina Island, and San Clemente Island. The Orange County portion of the Los Angeles Area AA hosts the Cities and communities of Santa Ana, Anaheim, Garden Grove, El Toro, Costa Mesa, Fountain Valley, Laguna Beach, Newport Beach, Huntington Beach, Seal Beach, San Juan Capistrano, San Clemente, Mission Viejo, Westminster, Tustin, Yorba Linda, Los Alamitos, Buena Park, Fullerton, and La Habra.

Table LA-1 details demographic data for the Los Angeles Area AA.

Table LA-1: Demographic Information for the Los Angeles Area Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A % of #
Census Tracts	2,631	7.6	28.0	29.1	34.6	0.7
Population by Census Tract Income Level	12,365,627	7.3	29.8	31.1	31.7	0.1
Owner-occupied Housing Units by Census Tract Income Level	2,073,887	1.7	16.6	31.9	49.8	0.0
Businesses by Census Tract Income Level	990,334	6.0	21.9	28.5	42.8	0.8
Small Businesses by Census Tract Income Level	771,593	5.6	21.2	28.4	44.2	0.6
Households by Income Level	4,072,433	24.0	16.1	17.7	42.2	
Families by Income Level	2,828,223	23.1	16.8	18.2	41.9	
Median Family Income		\$57,041	Median Housing Value			\$248,302
Median Household Income		\$50,945	Unemployment Rate			7.4%
Families Below the Poverty Level		12.7%	Percent of Population Below the Poverty			5.5%
Households Below the Poverty Level		13.4%	Level			3.0%

Source: 2010 U.S. Census data; 2010 D&B data; 2010 Housing and Urban Development (HUD) data

The Los Angeles Area AA was affected by the following FEMA declared disasters during the evaluation period:

- The California Crown Fire affecting Los Angeles County.
- California winter storms, flooding, and debris and mud flows affecting Orange County.

Economic Information

According to Moody's Economy.com, the Los Angeles-Long Beach-Santa Ana MSA economy's transition from recovery to expansion is delayed due to contractions in aerospace manufacturing, and overall weakness in employment growth. The unemployment rate is approaching 13 percent, surpassing California's and more than 3 percentage points higher than the U.S. rate. The housing market is cooling, with home prices and sales declining, as a result of the economy and ending of federal and state housing supports.

Community Contact Observations

Examiners used three community contacts in its evaluation of the Los Angeles Area AA. One contact was conducted with this evaluation, and the examiners used two existing contacts that were recently conducted with other evaluations.

New Community Contact

Examiners contacted a non-profit regional small business development corporation (SBDC) headquartered in Los Angeles, Los Angeles County. This SBDC was founded to provide assistance to small business owners, in becoming successful members of the Southern California business community. The SBDC's service area is all of Southern California, with a particular emphasis on Los Angeles County. The SBDC's funding comes primarily from the SBA, supplemented with revenue from the SBDC's lending programs, matching funds from other SBDCs, and funds from private corporations and financial institutions. The SBDC provides financial, educational, and consulting services for start-up and small businesses. The contact stated that financial institutions need to step up funding and sponsorship of small business lending and education programs, and to explore ways to offer credit that is not so heavily dependent upon collateral value. The contact also noted that financial institutions need to enter into alliances with other SBDCs and economic development organizations.

Existing Community Contacts

Examiners used a recent community contact with a non-profit, SBA Certified Development Corporation (CDC) headquartered in Santa Ana, Orange County. The CDC's primary focus is economic development through SBA 504 financing to start-up and small businesses located throughout Los Angeles, Orange, San Diego, Riverside, and San Bernardino Counties. Funding comes from revenue generated from lending and from the SBA. The contact noted that Los Angeles County's economic recovery rate accelerated moderately in 2010, with unemployment expected to remain close to 12 percent during 2011. The entertainment industry and international trade continue to contribute to growth. High costs, falling home prices, and net out-migration will dampen job, personal wealth, and output growth over the long term, making Los Angeles a below-average

performer. The contact stated that Orange County's recovery is slowly strengthening, although the county's defense contractors remain an area of weakness. The county's unemployment rate is holding steady at between 9 and 10 percent. The contact stated that local financial institutions have cut back funding and their involvement with SBA lending. Larger financial institutions have imposed greater restrictions on the SBA loans. The identified credit need is for more local financial institutions involvement in the SBA 504 program, and for the larger financial institutions to ease prohibitive restrictions on these loans.

The second existing community contact was with a non-profit affordable housing organization headquartered in Los Angeles. The agency's service area includes all of Los Angeles and Orange Counties. The organization's mission is to support the production, preservation, and management of rental units and single-family homes affordable to lower-income households. The organization works through a broad coalition of other non-profit, public, and private partners. In addition, the organization creates affordable housing opportunities for low-income people, and researches innovative ways to encourage the production of affordable housing. Based on this research, the organization provides leadership for new affordable housing initiatives in collaboration with other stakeholders in the private, public, and social sectors. The contact noted that the greatest need is for affordable rental housing. The high levels of unemployment, declining housing values, and the resulting increase in home foreclosures are keeping individuals and families out of single-family homes. As a result, LMI individual and families are looking for affordable rental housing. These factors are increasing the demand for affordable rental units, while financial institutions are contracting their residential mortgage portfolios and residential development funding. The contact stated that financial institutions need to increase their involvement with, and funding for affordable housing development projects, especially multi-family rental projects. This involvement could be either through direct financing or through a partnership with affordable housing agencies.

Market Share

As of June 30, 2011, FRB competed with 53 other FDIC-insured banking or savings institutions operating 154 offices within the Los Angeles AA. FRB's market share of FDIC-insured deposits within the AA was 0.7 percent, representing a 17th place ranking. Competitor institutions include such nation-wide banks like Bank of America, Wells Fargo, and JP Morgan Chase, as well as regional, statewide, and local banks like One West Bank, East West Bank, and Bank of the West. Additionally, FRB competes with thrifts, credit unions, finance companies, mortgage companies, and other financial service providers for deposit and loan customers throughout Los Angeles County.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS LOS ANGELES AREA ASSESSMENT AREA

LENDING TEST

Lending Activity

FRB's lending levels reflect adequate responsiveness to the Los Angeles AA credit needs. The bank originated 318 home mortgage loans, or 12.9 percent, and 62 small business loans representing 14.3 percent by number of the CAA totals.

Geographic Distribution

The geographic distribution of loans reflects poor penetration throughout the Los Angeles AA. Home mortgage loans were given more weight as they represent 83.7 percent of the total loans originated in this AA. As noted previously, the poor geographic distribution performance in this AA negatively impacted the overall geographic distribution profile for the CAA and the State of California, especially since the Los Angeles Area AA accounts for 50.1 percent of all the CTs within the CAA. Please refer to Table FRB-2 for more detail.

HMDA Loans

Performance as to the geographic distribution of HMDA loans throughout the Los Angeles AA is poor. Table LA-2 details the bank's geographic distribution performance as to HMDA loans.

Table LA-2: Distribution of HMDA Loans by Census Tract Income Category Los Angeles Area Assessment Area								
Census Tract Income Category	Census Tracts*		Owner Occupied Housing Units*	Aggregate Lending Data**	FRB YTD 2011 HMDA Loans			
	#	%	%	%	#	%	\$	%
Low-Income	200	7.6	1.7	1.3	3	0.9	2,509	0.6
Moderate-Income	736	28.0	16.6	12.0	12	3.8	9,069	2.3
Middle-Income	766	29.1	31.9	28.0	27	8.5	15,493	3.9
Upper-Income	912	34.7	49.8	58.6	276	86.8	371,864	93.2
N/A	17	0.6	0.0	0.1	0	0.0	0.0	0.0
Total	2,631	100.0	100.0	100.0	318	100.0	398,935	100.0

** 2010 U.S. Census data; ** 2010 Aggregate HMDA data for all CRA-defined large banks that originated HMDA loans within the AA*

Of 318 HMDA loans extended within the Los Angeles Area AA, only 3 or 0.9 percent were in a low-income CTs, and 12 or 3.8 percent were extended in moderate-income CTs. The bank's

penetration rates among both the LMI CTs were below the comparative percentages for aggregate lending, owner-occupied housing units, and AA CTs. Additionally, the bank's distribution was significantly skewed toward upper-income CTs at 86.8 percent, which is well above all of the comparative percentages. FRB's limited presence among LMI CTs represents an area for needed improvement.

Small Business Loans

The geographic distribution of small business loans reflects poor penetration throughout the Los Angeles AA. Table LA-3 details the bank's geographic distribution performance as to small business loans.

Table LA-3: Distribution of Small Business Loans by Census Tract Income Category Los Angeles Area Assessment Area								
Census Tract Income Category	Census Tracts*		AA Businesses **	Aggregate Lending Data**	FRB YTD 2011 Small Business Loans			
	#	%	%	%	#	%	\$	%
Low-Income	200	7.6	6.0	4.4	1	1.6	1,000	4.5
Moderate-Income	736	28.0	21.8	18.0	6	9.7	3,400	15.2
Middle-Income	766	29.1	28.5	26.8	10	16.1	3,525	15.7
Upper-Income	912	34.7	42.9	50.1	42	67.7	13,408	59.9
N/A	17	0.6	0.8	0.7	3	4.9	1,050	4.7
Total	2,631	100.0	100.0	100.0	62	100.00	22,383	100.00

** 2010 U.S. Census data; ** 2010 Aggregate CRA data for all CRA-defined large banks that originated small business loans within the AA*

Of the 62 small business loans extended within the Los Angeles Area AA, only 1 or 1.6 percent was originated in a low-income CT, while 6 or 9.7 percent was in a moderate-income CT. The bank's penetration rates among both the LMI CTs were noticeably below the comparative percentages for aggregate lending, AA businesses, and AA CTs. Additionally, the bank's distribution was significantly skewed toward upper-income CTs at 67.7 percent, well above all the comparative percentages.

Borrower Profile

Overall borrower profile performance was poor. Borrower profile performance as to HMDA loans was poor while borrower profile performance as to small business loans was adequate. Home mortgage loans were weighted more heavily as they represent 83.7 percent of the total loans originated in this AA during the evaluation period.

HMDA Loans

The distribution of home mortgage loans reflects poor penetration among borrowers of different income levels. Table LA-4 details the bank's borrower profile performance as to HMDA loans.

Table LA-4: Distribution of HMDA Loans by Gross Annual Income Los Angeles Area Assessment Area				
Borrower Income Level*	AA Families**	Aggregate Lending Data***	FRB YTD 2011 HMDA Loans	
	%	%	#	%
Low-Income	23.1	3.2	0	0.0
Moderate-Income	16.8	10.4	1	0.3
Middle-Income	18.2	19.9	5	1.6
Upper-Income	41.9	60.3	277	87.1
Income Not Reported	0.0	6.2	35	11.0
Total	100.0	100.0	318	100.0

*Income categories based upon HUD estimated median family income; ** 2010 US Census data; * ** 2009 Aggregate HMDA data for all CRA-defined large banks that originated HMDA loans within the AA*

Of 318 HMDA loans extended within the Los Angeles Area AA, none were originated to low-income individuals. Only 1 out of 318 HMDA loans was originated to a moderate-income individual. Both the LMI penetration rates are noticeably below the comparative percentages for aggregate lending and AA families. Additionally, the bank's distribution was significantly skewed toward upper-income individuals at 87.1 percent, well above both comparative percentages.

Small Business Loans

The distribution of small business loans reflects adequate penetration among businesses of different revenue sizes within the Los Angeles Area AA. Table LA-5 details the bank's small business borrower profile performance.

Table LA-5: Distribution of Small Business Loans by Gross Annual Revenue Los Angeles Area Assessment Area						
Borrower Income Level*	AA Businesses**	Aggregate Lending Data***	FRB YTD 2011 Small Business Loans			
	%	%	#	%	\$	%
GAR ≤ \$ 1 Million	77.9	34.3	17	27.4	5,608	25.0
GAR > \$ 1 Million	4.7	65.7	43	69.4	15,525	69.4
Income Not Reported	17.4	0.0	2	3.2	1,250	5.6
Total	100.0	100.0	62	100.0	22,383	100.0

** 2010 D&B data; ** 2010 Aggregate CRA data for all CRA-defined large banks that originated small business loans within the AA*

FRB's penetration among borrowers with GARs of less than or equal to \$1 million was reasonable at 27.4 percent.

Table LA-6 provides further analysis by presenting the bank's small business loans by loan size.

LA-6: YTD 2011 Small Business Loans by Loan Size Los Angeles Area Assessment Area				
Loan Size	#	%	\$ (000s)	%
Less Than \$100,000	19	30.6	1,304	5.8
≥ \$100,000 ≤ \$250,000	13	21.0	2,435	10.9
Greater Than \$250,000	30	48.4	18,644	83.3
Total	62	100.0	22,383	100.0

Source: Bank-supplied data

The loan size analysis provides additional support for an adequate performance. Over one quarter of the bank's small business loans in this AA (30.6 percent) were originated in amounts of less than \$100,000. These small business credits frequently support start-up, recently established, and/or small businesses. The bank originated an additional 21.0 percent of its small business loans in amounts of between \$100,000 and \$250,000. Over half (51.6 percent) of all small business loans in this AA were originated in amounts of less than or equal to \$250,000. These percentages indicate that the bank is meeting the credit needs of smaller-sized businesses. Noteworthy is the fact that, according to community contacts, one of the primary credit needs for businesses in this AA is for smaller-sized loans for start-up or existing small businesses.

Community Development Loans

FRB made a relatively high level of CD loans within this AA. The bank originated 14 CD loans totaling \$14.8 million within this AA, which represents 6.2 percent by number, and 3.4 percent by dollar volume. CD lending was directed towards Enterprise Zones, Community Renewals Areas,

Redevelopment Areas, and Empowerment Zones within the AA. A majority of CD loans benefited Enterprise Zones.

The following is an example of the CD loans originated in this AA during the evaluation period.

- FRB originated a \$2.9 million CD loan to refinance a 37-unit multi-family apartment complex located in a moderate-income CT of Los Angeles. Thirty-six of 37 units are for affordable housing which benefits LMI income families in the geographical area.

Innovative and/or Flexible Lending Practices

The bank used innovative and/or flexible lending programs in a safe and sound manner to address the credit needs of the AA, including LMI individuals or geographies. The bank used the *Eagle One*, the *Eagle One Plus*, the *Home Loan Special*, the FHLB WISH, the FHLB CIP, and the COIN programs to serve the credit needs of this AA. Please refer to the innovative or flexible lending practices comments within the CAA section of this evaluation for more detail.

Record of Serving the Credit Needs of the Highly Economically Disadvantaged

FRB exhibited a less than satisfactory record of serving the credit needs of the most economically disadvantaged geographies, individuals, and businesses. This is primarily due to the poor geographic distributions and the poor HMDA borrower penetration within this AA. Overall geographic distributions, as well as penetration rates among LMI HMDA borrowers, reflects a need to improve. Borrower profile performance as to small business loans was adequate, especially as evidenced by the majority percentage of small business loans originated in amounts of less than or equal to \$250,000. In addition, the bank made an adequate level of CD loans, which were responsive to affordable housing and economic development needs, both were critical needs according to the community contacts. The bank's CD lending in this AA have been responsive to designated geographic areas by state, county, and municipal governments for economic development, revitalization, or stabilization. The bank was responsive to the credit needs of LMI individuals and small businesses through the use of its innovative and/or flexible lending programs.

INVESTMENT TEST

FRB transacted a significant level of qualified investments in the Los Angeles Area AA, including those that are not routinely provided by private investors, and exhibited good responsiveness to credit and CD needs in this AA. In addition, the bank used complex investments to support affordable housing. The bank consummated 4 qualified investments totaling \$29.6 million. The dollar volume of qualified investments for this AA, represents 27.0 percent of the CAA total of \$109.8 million. All four qualified investments involved LIHTCs for affordable housing to LMI individuals and families. Additionally, this AA qualified donations and grants totaled \$72,000, or 9.7 percent of the CAA total of \$739,000. A total of \$71,000 in donations was made to LMI social services and \$1,000 to affordable housing. Notable recipients of the bank's donations include United Friends of the Children, Ocean Pacific Community, and the Reprise Theatre Company.

Additionally, the Los Angeles Area AA indirectly benefited from the \$605,000 in statewide IOLTAs.

SERVICE TEST

FRB exhibits a relatively high service performance level within the Los Angeles AA. Retail banking services are reasonably accessible to geographies and individuals of different income levels. Services and business hours do not vary in a way that inconveniences its AA. Changes in branch locations have not adversely affected the accessibility of its delivery systems. The bank provided a relatively high level of CD services in this AA.

Assessment Area Distribution of Retail Banking Services

FRB operates 8 full-service branches throughout the Los Angeles Area AA, representing 13.8 percent of the CAA total. This AAs branches are distributed among low-, middle-, and upper-income CTs. Table LA-7 details the branch and ATM distributions by CT within the AA.

Table LA-7: Branch and ATM Distribution by Census Tract Income Category Los Angeles Area Assessment Area								
Census Tract Income Category	Census Tracts*		Total Population*		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	200	7.6	902,622	7.3	1	12.5	4	16.0
Moderate	736	27.9	3,683,207	29.8	0	0.0	2	8.0
Middle	766	29.1	3,845,308	31.1	1	12.5	3	12.0
Upper	912	34.7	3,924,782	31.7	6	75.0	16	64.0
N/A	17	0.7	9,708	0.1	0	0.0	0	0.0
Total	2,631	100.0	12,365,627	100.0	8	100.0	25	100.0

** 2010 U.S. Census data*

Alternative Delivery Systems and Reasonableness of Business Hours and Services

The Los Angeles area AA hosts 25 ATMs distributed among all CT income categories. The 25 ATMs represent 10.9 percent of the CAA total. Internet banking, telebanking, and other alternative delivery system are available to bank customers throughout this AA. Services and business hours are tailored to the convenience and needs of the AA.

Changes in Branch Locations

No branches were opened, closed, or relocated during the evaluation period.

Community Development Services

FRB provided a good level of CD services within the Los Angeles Area AA. Performance in this AA mirrored performance for the CAA and the California AA. A total of 32 management and staff personnel (an average of 5.3 employees per branch and representing 11.9 percent of the CAA total of 270 employees), volunteered 302 CD service hours, or 13.6 percent of the CAA total of 2,225 hours. A total of 27 bank employees provided 121 hours to LMI social services, while 5 employees provided 175 hours to affordable housing initiatives. Employees volunteered their expertise and time to serve on various boards and committees of organizations involved with affordable housing and CD social services. In addition to volunteered hours of service and expertise, the bank's *Financial Education Program* and *Non-profit Banking Program* were available within this AA.

CALIFORNIA METROPOLITAN AREAS – LIMITED SCOPE EVALUATIONS

SAN DIEGO COUNTY ASSESSMENT AREA

DESCRIPTION OF THE SAN DIEGO COUNTY ASSESSMENT AREA

The San Diego County AA consists of the entirety of the San Diego-Carlsbad-San Marcos, CA MSA # 41740 (all of San Diego County).

The San Diego County AA hosts the Cities and communities of San Diego, Camp Pendleton, Escondido, Oceanside, Fallbrook, Ramona, Coronado, Imperial Beach, Chula Vista, La Mesa, National City, Rancho Santa Fe, Carlsbad, Encinitas, San Marcos, Del Mar, El Cajon, Lemon Grove, and the Pauma Valley.

Table SD-1 details demographic data for the San Diego County AA:

Table SD-1: Demographic Information for the San Diego County Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A % of #
Census Tracts	605	7.9	22.5	37.7	31.4	0.5
Population by Census Tract Income Level	2,813,833	7.8	24.5	37.4	30.0	0.3
Owner-occupied Housing Units by Census Tract Income Level	551,489	2.3	14.0	41.0	42.7	0.0
Businesses by Census Tract Income Level	227,232	4.5	19.9	37.0	38.5	0.1
Small Businesses by Census Tract Income Level	176,950	4.4	19.0	36.9	39.7	0.0
Households by Income Level	995,492	22.5	17.1	18.9	41.5	
Families by Income Level	669,102	21.0	17.9	20.1	41.0	
Median Family Income		\$57,885	Median Housing Value			\$229,602
Median Household Income		\$50,950	Unemployment Rate			5.6%
Families Below the Poverty Level		8.9%	Percent of Population Below the Poverty Level			10.3%
Households Below the Poverty Level		10.3%	Percent of Population on Public Assistance			3.6%

Source: 2010 U.S. Census data; 2010 D&B data; 2010 Housing and Urban Development (HUD) data

During the evaluation period, the San Diego County AA was affected by one FEMA declared disaster: California winter storms, flooding, and debris and mud flows affecting San Diego, Riverside, and Santa Barbara Counties.

Economic Information

According to Moody's Economy.com, the San Diego-Carlsbad-San Marcos, CA MSA economy is strengthening due to the driving technological, financial, and healthcare industries. Unemployment has fallen to 10 percent, which is 2 percentage points below California's average, but still above the U.S. rate. The housing market indicators are mixed however. While falling and below the rate for California, foreclosure filings and inventories are above the national average, yet the issuance of residential construction permits is edging higher. Overall, median housing prices are lower than a year ago and are not expected to bottom until mid-2012, a few months later than nationally.

Market Share

As of June 30, 2011, FRB competed with 58 other FDIC-insured banking or savings institutions operating 629 offices within the San Diego County AA. FRB's market share of FDIC-insured deposits within the county was 1.4 percent, representing a 12th place ranking. Competitor institutions include such nation-wide banks as Wells Fargo, Bank of America, and JP Morgan Chase, as well as regional, statewide, and local banks such as California Bank and Trust, Pacific Western Bank, and Torrey Pines Bank. Additionally, FRB competes with thrifts, credit unions, finance companies, mortgage companies, and other financial service providers for deposit and loan customers throughout San Diego County.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS SAN DIEGO COUNTY ASSESSMENT AREA

LENDING TEST

FRB's lending levels reflect adequate responsiveness to the San Diego County AA credit needs. Through its 5 branches in this AA, the bank originated 83 HMDA loans, or 3.4 percent of, and 21 small business loans, or 4.8 percent of the CAA totals, during the evaluation period.

FRB's geographic distribution of HMDA loans was reasonable as the bank lent among all four CT income categories. The geographic distribution for small business loans was mixed. The bank penetrated the AA moderate-income CT, but none of the bank's 21 loans penetrated a low-income CT. However, over half of the 21 small business loans were originated in amounts of less than or equal to \$250,000. Borrower profile performance was adequate. The 83 HMDA loans were lent among all 4 CT income categories and 10 or 47.6 percent of the 21 small business loans were extended to businesses with GARs of less than or equal to \$1 million. CD lending performance in this AA was good as 14 CD loans totaling \$22.1 million benefited this AA. The 14 CD loans represent 6.2 percent of the CAA total of 227, while the \$22.1 million represents 5.1 percent of the CAA total. These relative percentages mirror this AAs relative percentage of CAA deposits. FRB used the *Eagle One*, the *Eagle One Plus*, the *Home Loan Special*, the FHLB WISH, and the FHLB

CIP programs to serve the credit needs of this AA. The bank's lending activity reflects a good record of responsiveness to the highly disadvantaged geographies and populations within this AA.

INVESTMENT TEST

FRB's investment performance in the San Diego AA was adequate. The bank extended one qualified investment totaling \$2.2 million and one qualified donation of \$3,000. The \$2.2 million qualified investment served the affordable housing needs of the AA while the \$3,000 donation support social services for LMI individuals and families. Additionally, the San Diego County AA indirectly benefited from the \$605,000 in statewide IOLTAs.

SERVICE TEST

FRB's service performance in the San Diego AA was adequate. Products, services, and business hours are similar to those offered within the California AA. No branches were closed, relocated, or opened during the evaluation period. A total of five branches and nine ATMs are reasonably distributed throughout this AA, with one branch and one ATM located in low-income CTs. Six employees (1.2 employees per branch and representing 2.2 percent of the CAA total of 270 employees) provided 171 hours of qualified CD services, representing 7.7 percent of the CAA total of 2,225 service hours.

In addition to volunteered hours of service and expertise, the bank's *Financial Education Program* and *Non-profit Banking Program* were available within this AA.

RIVERSIDE COUNTY ASSESSMENT AREA

DESCRIPTION OF THE RIVERSIDE COUNTY ASSESSMENT AREA

The Riverside County AA is a contiguous area situated in the central portion of Riverside County (one of two counties comprising the Riverside-San Bernardino-Ontario, CA MSA # 40140).

The Riverside County AA hosts the Cities and communities of Palm Springs, Cathedral City, Palm Desert, Rancho Mirage, Thousand Palms, Coachella, La Quinta, Indio, Indian Wells, and Bermuda Dunes.

Table RV-1 details demographic data for the Riverside County AA.

Table RV-1: Demographic Information for the Riverside County Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A % of #
Census Tracts	60	1.7	31.7	41.6	25.0	0.0
Population by Census Tract Income Level	264,182	0.9	35.0	39.6	24.5	0.0
Owner-occupied Housing Units by Census Tract Income Level	66,401	0.3	19.1	43.3	37.3	0.0
Businesses by Census Tract Income Level	24,757	0.4	26.5	43.2	29.9	0.0
Small Businesses by Census Tract Income Level	19,728	0.3	25.8	43.4	30.5	0.0
Households by Income Level	98,850	23.7	17.2	18.6	40.5	
Families by Income Level	65,205	22.0	18.7	19.8	39.5	
Median Family Income		\$50,383	Median Housing Value			\$155,975
Median Household Income		\$43,639	Unemployment Rate			6.9%
Families Below the Poverty Level		11.1%	Percent of Population Below the Poverty Level			11.7%
Households Below the Poverty Level		11.7%	Percent of Population on Public Assistance			3.1%

Source: 2010 U.S. Census data; 2010 D&B data; 2010 Housing and Urban Development (HUD) data

During the evaluation period, the Riverside County AA was affected by one FEMA-declared disaster: California winter storms, flooding, and debris and mud flows affecting San Diego, Riverside, and Santa Barbara Counties.

Economic Information

According to Moody's, the unemployment rate remains above 14 percent, the highest among the major California metro areas, and more than 4 percentage points above the U.S. rate. House prices and sales are declining, following the end of federal and state housing supports. An earlier boost in construction permits has faded. One area of improvement is the falling inventory of real estate-owned foreclosures.

Market Share

As of June 30, 2011, FRB competed with 38 other FDIC-insured banking or savings institutions operating 341 offices within the Riverside County AA. FRB's market share of FDIC-insured deposits within the county was 0.4 percent, representing a 27th place ranking. Competitor institutions include such nation-wide banks as Bank of America, Wells Fargo Bank, and JP Morgan Chase as well as regional, statewide, and local banks such as Rabobank National, Bank of Hemet, and Security Bank of California. Additionally, FRB competes with thrifts, credit unions, finance companies, mortgage companies, and other financial service providers for deposit and loan customers throughout Riverside County.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS RIVERSIDE COUNTY ASSESSMENT AREA

LENDING TEST

FRB's lending levels within the Riverside County AA were modest. Through its 1 branch, the bank originated 13 HMDA and 2 small business loans. The 13 HMDA and 2 small business loans each represent 0.5 percent of the CAA totals.

The minimal volume of HMDA and small business loans does not statistically support any sound analyses for the geographic distribution or borrower profile. Additionally, this AA contains only one low-income CT. No CD loans benefited this AA. FRB used the *Eagle One*, the *Eagle One Plus*, the *Home Loan Special*, the FHLB WISH, and the FHLB CIP programs to serve the credit needs of this AA. The limited lending activity within this AA does not provide any relevant statistical analysis to impact the overall rating for the lending test.

INVESTMENT TEST

FRB demonstrated good investment performance in the Riverside County AA, which was consistent with its performance in the CAA and the California AA. During the evaluation period, FRB made 4 qualified investments totaling \$5.7 million. Qualified investments represent 12.9 percent by number, and 5.2 percent by dollar volume, of the CAA totals for qualified investments. This AAs relative percentages of CAA qualified investments far exceed the relative percentages of CAA deposits, branches, ATMs, and both HMDA and small business loan volume. Additionally, the Riverside County AA indirectly benefited from the \$605,000 in statewide IOLTAs.

SERVICE TEST

FRB's service performance in the Riverside County AA was poor due primarily to the absence of CD services during the evaluation period. Products, services, and business hours are similar to those offered within the California AA. No branches were closed, relocated, or opened during the evaluation period. The lone branch and 2 ATMs are located in middle-income CTs.

The bank's *Financial Education Program* and *Non-profit Banking Program* were available within this AA.

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SANTA BARBARA COUNTY ASSESSMENT AREA

DESCRIPTION OF THE SANTA BARBARA COUNTY ASSESSMENT AREA

The Santa Barbara County AA comprises the southwest portion of Santa Barbara County (the Santa Barbara-Santa Maria-Goleta, CA MSA # 42060).

The Santa Barbara County AA hosts the cities and communities of Santa Barbara, Carpinteria, Goleta, Solvang, Santa Ynez, and Isla Vista, as well as the Channel Islands of Santa Cruz, Santa Rosa, and San Miguel.

Table SB-1 details demographic data for the Santa Barbara County AA.

Table SB-1: Demographic Information for the Santa Barbara County Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A % of #
Census Tracts	44	4.6	22.7	20.5	52.3	0.0
Population by Census Tract Income Level	213,256	5.0	23.1	24.0	48.0	0.0
Owner-occupied Housing Units by Census Tract Income Level	40,907	0.0	9.4	23.0	67.6	0.0
Businesses by Census Tract Income Level	20,338	0.8	33.8	24.6	40.8	0.0
Small Businesses by Census Tract Income Level	15,936	0.7	29.7	24.6	45.0	0.0
Households by Income Level	78,432	21.3	14.9	17.4	46.4	
Families by Income Level	46,077	15.2	15.6	19.0	50.2	
Median Family Income		\$69,033	Median Housing Value			\$441,694
Median Household Income		\$54,515	Unemployment Rate			1.7%
Families Below the Poverty Level		6.0%	Percent of Population Below the Poverty Level			11.6%
Households Below the Poverty Level		11.7%	Percent of Population on Public Assistance			3.0%

Source: 2010 U.S. Census data; 2010 D&B data; 2010 Housing and Urban Development (HUD) data

During the evaluation period, the San Diego County AA was affected by one FEMA-declared disaster: California winter storms, flooding, and debris and mud flows affecting San Diego, Riverside, and Santa Barbara Counties.

Economic Information

Losses in state and local governments are offsetting gains in hospitality and leisure. State and local government has been on a downward trend since 2010, and California budget cuts represent further downside risk to the outlook. The area's favorable climate and ocean access are what enable tourism to remain a main driver of employment. The metro area's dependence on high-income tourism has allowed employment to return to precision levels. The unemployment rate at 9 percent is 3 percentage points lower than California's, but could be underrepresented, as the labor force is falling. The housing market is declining as existing home sales and prices declined more sharply than in California and nationally.

Market Share

As of June 30, 2011, FRB competed with 22 other FDIC-insured banking or savings institutions operating 101 offices within the Santa Barbara County AA. FRB's market share of FDIC-insured deposits within the county was 1.8 percent, representing an 11th place ranking. Competitor institutions include such nation-wide banks as Wells Fargo Bank, Bank of America, and Rabobank, as well as regional, statewide, and local banks such as Santa Barbara Bank and Trust, Montecito Bank and Trust, and Community West Bank. Additionally, FRB competes with thrifts, credit unions, finance companies, mortgage companies, and other financial service providers for deposit and loan customers throughout Santa Barbara County.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS SANTA BARBARA COUNTY ASSESSMENT AREA

LENDING TEST

FRB's lending levels within the Santa Barbara County AA were modest. Through its 1 branch, the bank originated 38 HMDA, and 3 small business loans. The 38 HMDA loans represent 1.5 percent of the CAA totals. The bank's geographic distribution of HMDA loans appears reasonable as two loans were extended in this AA LMI CTs. This AA has two low-income CTs. No HMDA loans were originated to LMI borrowers. The minimal volume of small business loans does not statistically support any sound analyses, as to geographic distribution or borrower profile. The level of CD lending within this AA was excellent. FRB originated 4 CD loans totaling \$10.2 million in this AA. Two CD loans totaling \$3.6 million supported affordable housing, while the other 2 loans totaling \$6.6 million supported the revitalization and stabilization of economically distressed geographies. The AA CD lending represents 1.8 percent by number, and 2.3 percent by dollar volume, of the CAAs CD lending totals. FRB used the *Eagle One*, the *Eagle One Plus*, the *Home Loan Special*, the FHLB WISH, and the FHLB CIP programs to serve the credit needs of this AA. The bank demonstrated a good record of responsiveness to the highly disadvantaged geographies and population within this AA, by providing affordable housing through its CD lending activity, and use of its innovative and/or flexible lending programs.

INVESTMENT TEST

FRB demonstrated excellent investment performance in the Santa Barbara County AA, exceeding performance in the CAA and the California AA. During the evaluation period, FRB made 1 qualified investment totaling \$17.7 million. By dollar volume, this qualified investment represents 16.1 percent of the CAA total. Additionally, the bank made one donation of \$1,000 to support social services for LMI individuals. Additionally, the Santa Barbara County AA indirectly benefited from the \$605,000 in statewide IOLTAs.

SERVICE TEST

FRB's service performance in the Santa Barbara County AA was good and consistent with its performance in the CAA and the California AA. Products, services, and business hours are similar to those offered within the CAA and the California AA. No branches were closed, relocated, or opened during the evaluation period. The lone branch is located in an upper-income CT; however, three of the four ATMs are located in moderate-income CTs. Eight employees provided 125 hours of qualified CD services, representing 5.6 percent of the CAA total of 2,225 service hours.

In addition to volunteered hours of service and expertise, the bank's *Financial Education Program* and *Non-profit Banking Program* were available within this AA.

NEW YORK

FRB's New York CRA Rating is **Satisfactory**.

The Lending Test is rated: **Low Satisfactory**

The Investment Test is rated: **Low Satisfactory**

The Service Test is rated: **High Satisfactory**

DESCRIPTION OF THE NEW YORK ASSESSMENT AREA

The New York AA consists of the entirety of New York County (1 of 23 counties comprising the New York-Northern New Jersey-Long Island, NY-NJ-PA MSA # 35620). New York County constitutes the entirety of the Island and City of Manhattan.

As of June 30, 2010, FRB competed with 22 other FDIC-insured banking or savings institutions operating 101 offices within the Santa Barbara County AA. FRB's market share of FDIC-insured deposits within the county was 1.8 percent, representing an 11th place ranking. Competitor institutions include such nation-wide banks as Wells Fargo Bank, Bank of America, and Rabobank, as well as regional, statewide, and local banks such as Santa Barbara Bank and Trust, Montecito Bank and Trust, and Community West Bank. Additionally, FRB competes with thrifts, credit unions, finance companies, mortgage companies, and other financial service providers for deposit and loan customers throughout Santa Barbara County.

Table NY-1 details demographic data for the New York AA.

Table NY-1: Demographic Information for the New York Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A % of #
Census Tracts	296	20.3	19.9	8.1	48.7	3.0
Population by Census Tract Income Level	1,537,195	18.7	24.1	7.6	49.5	0.1
Owner-occupied Housing Units by Census Tract Income Level	148,695	2.6	8.6	4.8	84.0	0.0
Businesses by Census Tract Income Level	216,718	5.9	7.4	7.2	77.4	2.1
Small Businesses by Census Tract Income Level	150,670	6.3	7.8	7.2	76.9	1.8
Households by Income Level	739,167	25.9	11.7	13.8	48.6	
Families by Income Level	306,220	29.1	13.3	12.7	44.9	
Median Family Income		\$71,629	Median Housing Value			\$345,099
Median Household Income		\$54,265	Unemployment Rate			8.5%
Families Below the Poverty Level		17.6%	Percent of Population Below the Poverty Level			16.7%
Households Below the Poverty Level		16.7%	Percent of Population on Public Assistance			5.5%

Source: 2010 U.S. Census data; 2010 D&B data; 2010 Housing and Urban Development (HUD) data

The New York AA was affected by a FEMA-declared disaster (Hurricane Irene) declared August 31, 2011.

Economic Information

According to Moody's Economy.com, New York's recovery is outperforming just about every other state in the Northeast in term of employment. Currently, New York's unemployment rate stands 2 percentage points below its prerecession peak, which is closer than the nation and every state in the region, except for Vermont and Massachusetts. Most recently, a strike by one of the largest employers in the state, Verizon, has caused a spike in the unemployment rate. Employment in most other industries, including manufacturing and construction, are holding up. Financial activities have slipped further as banks undergo another round of cost-cutting. Tourism is slipping because of slower growth in Canada and Europe. Consumer credit quality is still better than average, but delinquency rates have started to turn up again recently. State government layoffs further weaken the prospects of Albany, which is now the weakest upstate area.

Market Share

As of June 30, 2011, FRB competed with 92 other FDIC-insured banking or savings institutions operating 687 offices within the New York County AA. FRB's market share of FDIC-insured deposits within the county was 0.5 percent, representing a 14th place ranking. Competitor institutions include such nation-wide banks as JP Morgan Chase, Bank of America, and HSBC Bank USA National, as well as regional, statewide, and local banks such as Bank of New York Mellon, Deutsche Bank Trust, and Signature Bank. Additionally, FRB competes with thrifts, credit unions, finance companies, mortgage companies, and other financial service providers for deposit and loan customers throughout New York County.

Community Contact Observations

Examiners used two recently completed community contacts, conducted with previous evaluations of other institutions of the New York AA.

One community contact was with a CDFI headquartered in Manhattan, New York County. The agency serves the affordable housing and economic development needs of New York County and the city and surrounding boroughs of New York. This CDFI is a member of a national network of over 230 community-based organizations located in all 50 states. The CDFI's mission is to revitalize underserved neighborhoods by creating and preserving affordable housing and by providing home ownership education, financial assistance, and community leadership. The CDFI provides many services aimed to prepare and execute home ownership for first-time, LMI homebuyers such as homebuyer education courses, financial fitness programs, landlord training, and down payment and closing assistance loans and grants. Other programs are offered for emergency home repairs, foreclosure prevention, and financial security for seniors, interest rate subsidies for energy efficient home improvements, and grants to LMI borrowers to help cover the cost of energy saving home improvements. The CDFI receives funding from its affiliated national network; federal, state, and local governments; corporations; and financial institutions. The contact stated that there continues to be a need for affordable mortgage loans for LMI and first-time homeowners. Since the collapse of the housing market in 2008, many banks have turned away from the more flexible and responsive in-house, portfolio mortgage lending and towards the more structured Fannie Mae underwriting standards. The contact noted that success in lending to LMI borrowers typically comes from local bankers dedicated to their in-house mortgage process that allows them to employ flexible underwriting to meet the credit needs of potential borrowers who do not fit into the secondary market guidelines. The contact sees bank portfolio products as one of the keys to LMI lending success. The contact also noted the need for continued support of first-time homebuyer education.

The second community contact was with a national CDC operating a chapter headquartered in New York City and serving the economic development needs of New York County and the greater New York City metropolitan area. The CDC serves as an intermediary organization that helps community-based groups transform distressed communities by providing technical expertise, capital, training, and information. The CDC receives funding from private investors and local financial institutions. The contact stated that there continues to be a need for financing to support all manner of affordable housing, start-up businesses, and existing small businesses. The contact expressed concerns with the overleveraging of multi-family properties, which has caused buildings to

deteriorate and borrowers/owners to vacate the properties, leaving them in uninhabitable condition. There is need for financial institutions to increase lending to preserve and maintain distressed multi-family units. More funding is needed to support building improvements on existing small business to maintain these businesses and the jobs they provide.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS NEW YORK ASSESSMENT AREA

LENDING TEST

FRB's Lending Test performance for the New York AA is rated **Low Satisfactory**.

Lending Activity

FRB's lending levels reflect adequate responsiveness to the New York AA credit needs. The bank originated 252 HMDA loans, or 10.2 percent of the CAA total, and 62 small business loans, or 14.3 percent of the CAA total.

Geographic Distribution

The geographic distribution of loans reflects poor penetration within the New York AA. Home mortgage loans were weighted more heavily as they represent approximately 80.3 percent of total loans originated in this AA.

HMDA Loans

Performance as to the geographic distribution of HMDA loans throughout the New York AA is poor. Table NY-2 details the bank's geographic distribution performance as to HMDA loans.

Table NY-2: Distribution of HMDA Loans by Census Tract Income Category New York Assessment Area								
Census Tract Income Category	Census Tracts*		Owner Occupied Housing Units*	Aggregate Lending Data**	FRB YTD 2011 HMDA Loans			
	#	%	%	%	#	%	\$	%
Low-Income	60	20.3	2.6	3.4	2	0.8	1,416	0.4
Moderate-Income	59	19.9	8.6	6.9	7	2.8	5,223	1.4
Middle-Income	24	8.1	4.8	5.5	8	3.2	8,944	2.4
Upper-Income	144	48.7	84.0	83.8	235	93.2	363,164	95.8
N/A	9	3.0	0.0	0.4	0	0.0	0	0.0
Total	296	100.0	100.0	100.0	252	100.0	378,747	100.0

* 2010 U.S. Census data; ** 2010 Aggregate HMDA data for all CRA-defined large banks that originated HMDA loans within the AA

Of 252 HMDA loans originated within the New York AA, only 2 representing 0.8 percent were extended in low-income CTs, while only 7 or 2.8 percent were extended in moderate-income CTs. The bank's penetration rates among both the LMI CTs were below the comparative percentages for aggregate lending, owner-occupied housing units, and AA CTs. Additionally, the bank's distribution was significantly skewed toward upper-income CTs at 93.2 percent, above all the comparative percentages.

Small Business Loans

The geographic distribution of small business loans reflects poor penetration throughout the New York AA. Table NY-3 details the bank's geographic distribution performance as to small business loans.

Table NY-3: Distribution of Small Business Loans by Census Tract Income Category New York Assessment Area								
Census Tract Income Category	Census Tracts*		AA Businesses **	Aggregate Lending Data**	FRB YTD 2011 Small Business Loans			
	#	%	%	%	#	%	\$	%
Low-Income	60	20.3	5.9	3.9	1	1.6	975	3.5
Moderate-Income	59	19.9	7.4	5.8	0	0.0	0	0.0
Middle-Income	24	8.1	7.2	7.4	3	4.8	700	2.5
Upper-Income	144	48.7	77.4	81.0	55	88.7	25,708	91.7
N/A	9	3.0	2.1	1.9	3	4.9	650	2.3
Total	296	100.0	100.0	100.0	62	100.0	28,033	100.0

** 2010 U.S. Census data; ** 2010 Aggregate CRA data for all CRA-defined large banks that originated small business loans within the AA*

Of 62 small business loans extended within the New York AA, only 1 or 1.6 percent were in low-income CTs, while no loans were in moderate-income CTs. The bank's penetration rates among the LMI CTs were noticeably below the comparative percentages for aggregate lending, AA businesses, and AA CTs. Additionally, the bank's distribution was significantly skewed toward upper-income CTs at 88.7 percent, well above all the comparative percentages. FRB's poor presence among LMI CTs in this AA represents an area for needed improvement.

Borrower Profile

The bank's borrower profile performance is mixed within the New York AA. HMDA performance is poor, while the small business performance is good. HMDA loans were weighted more heavily as they represent 80.3 percent of the total loans originated in this AA during the evaluation period.

HMDA Loans

The distribution of home mortgage loans reflects poor penetration among borrowers of different income levels. Table NY-4 details the bank's borrower profile performance as to HMDA loans.

Table NY-4: Distribution of HMDA Loans by Gross Annual Income New York Assessment Area				
Borrower Income Level*	AA Families**	Aggregate Lending Data***	FRB YTD 2011 HMDA Loans	
	%	%	#	%
Low-Income	29.2	0.3	1	0.4
Moderate-Income	13.3	1.4	0	0.0
Middle-Income	12.7	6.1	0	0.0
Upper-Income	44.8	86.7	224	88.9
Income Not Reported	0.0	5.5	27	10.7
Total	100.0	100.0	252	100.0

** Income categories based upon HUD estimated median family income; ** 2010 US Census data; *** 2010 Aggregate HMDA data for all CRA-defined large banks that originated HMDA loans within the AA*

Of 252 HMDA loans extended within the New York AA, only 1 was originated to a low-income individual while none were originated to moderate-income individuals. The bank's absence of loans to moderate-income borrowers is poor when compared to the comparative percentages. Although the bank's lending was concentrated among upper-income borrowers, its penetration rate of 88.9 percent is comparable to the aggregate lending penetration rate of 86.7 percent.

Small Business Loans

The distribution of small business loans reflects good penetration among businesses of different revenue sizes within the New York AA. Table NY-5 details the bank's small business borrower profile performance.

Table NY-5: Distribution of Small Business Loans by Gross Annual Revenue New York Assessment Area						
Borrower Income Level*	AA Businesses**	Aggregate Lending Data***	FRB YTD 2011 Small Business Loans			
	%	%	#	%	\$	%
GAR ≤ \$ 1 Million	69.5	14.2	12	19.4	3,917	14.0
GAR > \$ 1 Million	7.0	85.8	46	74.2	22,441	80.0
Income Not Reported	23.5	0.0	4	6.4	1,675	6.0
Total	100.0	100.0	62	100.0	28,033	100.0

** 2010 D&B data; ** 2010 Aggregate CRA data for all CRA-defined large banks that originated small business loans within the AA*

FRB's penetration among borrowers with GARs of less than or equal to \$1 million was 19.4 percent, significantly higher than the aggregate lending level of 14.2 percent.

Table NY-6 provides further analysis by presenting the bank's small business loans by loan size.

FRB YTD 2011 Small Business Loans by Loan Size New York Assessment Area				
Loan Size	#	%	\$ (000s)	%
Less Than \$100,000	9	14.5	760	2.7
≥ \$100,000 ≤ \$250,000	17	27.4	3,532	12.6
Greater Than \$250,000	36	58.1	23,741	84.7
Total	62	100.0	28,033	100.0

Source: Bank-supplied data

The loan size analysis provides additional support for a good performance. Of this AA's 62 small business loans, 14.5 percent were originated in amounts of less than \$100,000. These small business credits frequently support start-up, recently established, and/or small businesses. The bank originated an additional 27.4 percent of its small business loans in amounts of between \$100,000 and \$250,000. A substantial percentage of total small business loans (41.9 percent) were originated in amounts of less than or equal to \$250,000. These percentages indicate that the bank is meeting the credit needs of smaller-sized businesses in this very competitive marketplace. Noteworthy is the fact that, according to community contacts, one of the primary credit needs for businesses in this AA is for smaller-sized loans to start-up or existing small businesses.

Community Development Loans

FRB made an adequate level of CD loans within the New York AA. The bank originated 8 CD loans for \$10.6 million within this AA during the evaluation period, which represents 3.5 percent by number, and 2.4 percent by dollar volume, of total CD loans originated throughout the CAA. These

CD loans supported affordable housing, the stabilization and revitalization of LMI geographies, and social services to LMI individuals and families.

The following are examples of some noteworthy CD loans originated in this AA during the evaluation period.

- FRB originated a \$2 million loan to a non-profit lender headquartered in New York City and formed by a consortium of financial institutions to finance affordable housing and CD projects. The loan funds the construction, rehabilitation, and preservation of affordable housing units which serve to stabilize and revitalize neighborhoods in New York and Connecticut.
- FRB originated a \$1.2 million loan for the refinancing of a 16-unit multi-family dwelling. The property is located in a moderate-income CT. Ten of 16 units are for affordable housing which benefits LMI income families in the AA.
- FRB originated a \$1 million loan for the refinancing of a commercial apartment building located in an Enterprise Zone of New York City. The subject property will revitalize and stabilize the community by promoting employment opportunities in the surrounding area.
- FRB originated a \$400,000 loan to refinance a 14-unit multi-family dwelling. The subject property is located in a designated Empowerment Zone in New York City. Ten of the 14 units are for affordable housing that benefits LMI families in the geographical area.

Innovative and/or Flexible Lending Practices

The bank used innovative and/or flexible lending programs in a safe and sound manner to address the credit needs of the AA, including LMI individuals or geographies. The bank used the *Eagle One*, the *Eagle One Plus*, the *Home Loan Special*, the FHLB WISH, and the FHLB CIP programs to serve the credit needs of this AA. Please refer to the innovative or flexible lending practices comments within the CAA section of this evaluation for details.

Record of Serving the Credit Needs of the Highly Economically Disadvantaged

FRB exhibited an adequate record of serving the credit needs of the most economically disadvantaged geographies, individuals, and businesses of the New York AA. Although overall geographic distributions needs to improve, as does penetration rates among LMI HMDA borrowers, the bank performed at an excellent level as to lending to smaller businesses and in smaller-dollar amounts that are more accessible to start-up, recently established, or small businesses. CD lending and the use of innovative and/or flexible lending practices were both good. The bank's CD loans have been especially responsive to the affordable housing, economic stabilization and revitalization, and social service needs of the AA, all areas identified by community contacts as critical needs.

INVESTMENT TEST

FRB's Investment Test performance for the New York AA is rated **Low Satisfactory**.

FRB extended an adequate level of qualified investments in the New York AA, including those that are not routinely provided by private investors, and exhibited adequate responsiveness to credit and CD needs in this AA. FRB made a \$2 million equity investment in Carver Bank, a Harlem-based MDI that focuses on serving the affordable housing, economic development, and social service needs of the area's LMI African-American community. FRB's \$2 million investment helped to ensure the continued availability and accessibility of financial services to the local underserved community.

FRB's donations and grants totaled an additional \$62,000 in qualified investment. Notable recipients of the bank's donations include the Creative Arts Workshop for Kids Incorporated, Catholic Charities of the Archdiocese of New York, and New York Cares Incorporated.

In addition to the direct investments listed above, the New York AA benefited from \$8.7 million in indirect investments. These investments involved statewide LIHTCs administered by funds whose service area includes the New York AA. Of the \$8.7 million invested by FRB, \$7.7 million benefited Bronx County, which lies immediately adjacent to New York County.

SERVICE TEST

FRB's Service Test performance is rated **High Satisfactory**.

FRB service performance in the New York AA was consistent with performance for the CAA. Retail delivery systems are reasonably accessible. Although the bank's retail branches are concentrated within the AAs upper-income CTs, the ATMs are located in LMI CTs. Services and business hours do not vary in a way that inconveniences the AA. Changes in branch locations have not adversely affected the accessibility of delivery systems. The bank provided a relatively high level of CD services in this AA.

Assessment Area Distribution of Retail Banking Services

Table NY-7 details the bank's branch and ATM distribution by CT within the AA.

**Table NY-7: Branch and ATM Distribution by Census Tract Income Category
New York Assessment Area**

Census Tract Income Category	Census Tracts*		Total Population*		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	60	20.3	288,032	18.7	0	0.0	1	1.5
Moderate	59	20.0	370,049	24.1	0	0.0	2	3.0
Middle	24	8.1	116,621	7.6	0	0.0	0	0.0
Upper	144	48.6	761,008	49.5	6	100.0	63	95.5
N/A	9	3.0	1,485	0.1	0	0.0	0	0.0
Total	296	100.0	1,537,195	100.0	6	100.0	66	100.0

* 2010 U.S. Census data

Alternative Delivery Systems and Reasonableness of Business Hours and Services

The New York AA hosts 66 ATMs distributed within low-, moderate-, and upper-income CTs. These 66 ATMs represents 28.7 percent of the CAA total. This 28.7 percent share of the CAA ATMs is second only to the San Francisco Bay Area AA. Internet banking, telebanking, and other alternative delivery system are available to bank customers throughout the AA. Services and business hours are tailored to the convenience and needs of the AA.

Changes in Branch Locations

One branch, located in an upper-income CT was closed during the evaluation period. The closing did not adversely affect the accessibility of its delivery systems, particularly in LMI geographies and/or for LMI individuals. A CRA impact analysis was performed prior to the closing of the branch.

Community Development Services

FRB provided a relatively high level of CD services within the New York AA. Forty-nine staff and management or 18.2 percent of the CAA total of employees provided 262 hours of CD service. These services hours represents 11.8 percent of the CAA total of 2,225 service hours.

In addition to volunteered hours of service and expertise, the bank's *Non-profit Banking Program*, *Financial Education Program*, and *Low Cost Checking Program* were available within this AA. The *Low Cost Checking Program* was specific to this AA.

MASSACHUSETTS

FRB's Massachusetts CRA Rating is Satisfactory.

The Lending Test is rated: **Low Satisfactory**

The Investment Test is rated: **High Satisfactory**

The Service Test is rated: **High Satisfactory**

DESCRIPTION OF THE MASSACHUSETTS ASSESSMENT AREA

The Massachusetts AA comprises the entirety of Suffolk County (one of seven counties comprising the Boston-Cambridge-Quincy, MA-NH MSA #14460. Suffolk County hosts the Cities of Boston, Chelsea, Winthrop, and Revere.

Table MA-1 details demographic data for the Massachusetts AA.

Table MA-1: Demographic Information for the Massachusetts Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A % of #
Census Tracts	176	20.4	42.6	26.7	9.7	0.6
Population by Census Tract Income Level	689,807	17.3	49.3	24.2	9.1	0.1
Owner-occupied Housing Units by Census Tract Income Level	94,552	7.4	42.1	35.7	14.8	0.0
Businesses by Census Tract Income Level	51,287	22.9	28.5	22.0	26.6	0.0
Small Businesses by Census Tract Income Level	35,580	21.2	30.1	23.2	25.5	0.0
Households by Income Level	278,776	36.7	18.3	17.2	27.8	
Families by Income Level	140,802	36.1	19.6	19.5	24.8	
Median Family Income		\$47,746	Median Housing Value			\$223,316
Median Household Income		\$41,053	Unemployment Rate			7.0%
Families Below the Poverty Level		14.9%	Percent of Population Below the Poverty Level			18.4%
Households Below the Poverty Level		18.4%	Percent of Population on Public Assistance			4.1%

Source: 2010 U.S. Census data; 2010 D&B data; 2010 Housing and Urban Development (HUD) data

The Massachusetts AA was affected by the following three FEMA-declared disasters during the evaluation period:

- Hurricane Earl affecting Suffolk County.
- Severe winter storm and snow storm affecting Suffolk County.
- Hurricane Irene affecting Suffolk County.

Economic Information

According to Moody's Economy.com, Massachusetts's recovery remains robust, unlike the rest of the nation. Growth in the state is primarily driven by steady gains in business investment and a strong education/health industry. The unemployment rate continues to decline and is now 2 percentage points below the national rate. An increase in government jobs has helped Massachusetts to outperform the national average in payroll employment with private service industries doing best. With sales picking up in the housing market, house prices have risen a bit since the spring. With above average job growth, high incomes, and smaller house price declines, delinquency rates in the state are below the national average for most types of credit, including first mortgages.

The tech industry has proven to be a key driver for the state. Greater Boston's world-class universities, highly skilled workforce, and access to venture capital attract well-paying tech employers, despite the area's very high business costs. These well-paying tech employers depend on highly skilled labor and are a key driver for income growth in the state.

Market Share

As of June 30, 2011, FRB competed with 40 other FDIC-insured banking or savings institutions operating 230 offices within the Massachusetts AA. FRB's market share of FDIC-insured deposits within the AA was 1.7 percent, representing an 8th place ranking. Competitor institutions include such nation-wide banks as Bank of America and Citibank National, as well as regional, statewide, and local banks such as State Street Bank and Trust, RBS Citizens National, and Bank of New York Mellon. Additionally, FRB competes with thrifts, credit unions, finance companies, mortgage companies, and other financial service providers for deposit and loan customers throughout the AA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS MASSACHUSETTS ASSESSMENT AREA

LENDING TEST

FRB's Lending Test performance is rated **Low Satisfactory**.

FRB's lending levels within the Massachusetts AA were modest. Through its 2 branches, the bank originated 47 HMDA loans and only 6 small business loans. The bank's geographic distribution of HMDA loans is excellent. The HMDA distribution was well distributed as it penetrated all 4 CT income categories with 10 of the 47 loans representing 21.3 percent were originated in low-income CTs, and 5 loans originated in moderate-income CTs. The borrower profile performance as to HMDA loans needs improvement as no loans were originated to low-income borrowers and only one loan was originated to a moderate-income borrower. The minimal volume of small business loans does not support any statistically sound analyses as to geographic distribution or borrower profile. However, 5 of the 6 small business loans were originated in amount of less than or equal to \$250,000. No CD loans were originated in this AA. FRB used the *Eagle One*, the *Eagle One Plus*, and the *Home Loan Special* innovative and/or flexible lending programs to serve the credit needs of this AA. Given the limited branch and ATM presence in this AA, the excellent geographic distribution for HMDA loans, the concentration of smaller-dollar small business loans, the use of innovative and/or flexible lending programs, and overall responsiveness to AA credit needs appears adequate.

INVESTMENT TEST

FRB's Investment Test performance is rated **High Satisfactory**.

FRB demonstrated good investment performance in the Massachusetts AA, mirroring performance for the CAA. During the evaluation period, FRB made 2 qualified investments totaling \$13.9 million. By dollar volume, these qualified investments represent 12.7 percent of the CAA total. The bank made 8 donations totaling \$40,000 to support social services for LMI individuals.

In addition to the direct investments listed above, the Massachusetts AA benefited from \$34.3 million in indirect investments. Included in these were \$152,000 of statewide IOLTAs and \$34.1 million of statewide LIHTCs administered by funds whose service area includes the Massachusetts AA.

SERVICE TEST

FRB's Service Test performance is rated **High Satisfactory**.

FRB's service performance in the Massachusetts AA was good. Products, services, and business hours are similar to those offered within the CAA. No branches were closed, relocated, or opened during the evaluation period. The two branches are both located in upper-income CTs. However, the 16 ATMs are well positioned in LMI areas within this AA: 7 ATMs (43.8 percent) are located in low-income CTs and 1 ATM is located in a moderate-income CT. Twenty-three employees

provided 97 hours of qualified CD services, representing 4.4 percent of the CAA total of 2,225 service hours. In addition to volunteered hours of service and expertise, the bank's *Non-profit Banking Program* and *Financial Education Program* were available in this AA.

CONNECTICUT

FRB's Connecticut CRA Rating is **Satisfactory**.

The Lending Test is rated: **Low Satisfactory**

The Investment Test is rated: **Low Satisfactory**

The Service Test is rated: **Low Satisfactory**

DESCRIPTION OF THE CONNECTICUT ASSESSMENT AREA

The Connecticut AA consists of a contiguous portion of southwest Fairfield County (the Bridgeport-Stanford-Norwalk, CT MSA # 14860). This AA constitutes the area in and around the City of Greenwich.

Table MA-1 details demographic data for the Massachusetts AA.

Table MA-1: Demographic Information for the Massachusetts Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A % of #
Census Tracts	176	20.4	42.6	26.7	9.7	0.6
Population by Census Tract Income Level	689,807	17.3	49.3	24.2	9.1	0.1
Owner-occupied Housing Units by Census Tract Income Level	94,552	7.4	42.1	35.7	14.8	0.0
Businesses by Census Tract Income Level	51,287	22.9	28.5	22.0	26.6	0.0
Small Businesses by Census Tract Income Level	35,580	21.2	30.1	23.2	25.5	0.0
Households by Income Level	278,776	36.7	18.3	17.2	27.8	
Families by Income Level	140,802	36.1	19.6	19.5	24.8	
Median Family Income		\$47,746	Median Housing Value			\$223,316
Median Household Income		\$41,053	Unemployment Rate			7.0%
Families Below the Poverty Level		14.9%	Percent of Population Below the Poverty Level			18.4%
Households Below the Poverty Level		18.4%	Percent of Population on Public Assistance			4.1%

Source: 2010 U.S. Census data; 2010 D&B data; 2010 Housing and Urban Development (HUD) data

Economic Information

According to Moody's Economy.com, Connecticut's economy has slowed visibly since the second quarter. Among the state's flagship industries, insurance and professional services continue to lose payrolls, while construction is stuck at bottom and budget cuts for local governments are leading to substantial job losses. The unemployment rate has remained around 9 percent for a year and a half, which is about the same as that of the U.S. but substantially higher than New England's. Reductions in state aid and lower property and local sales tax revenues have led to the loss of 6,000 local government jobs since the start of the recession.

The real estate market has not shown signs of recovery. Home sales have yet to recover to anything close to prerecession levels. House prices have fallen steadily since 2010, leading to reduced purchase and refinancing mortgage originations.

Market Share

As of June 30, 2011, FRB competed with 31 other FDIC-insured banking or savings institutions operating 410 offices within the Massachusetts AA. FRB's market share of FDIC-insured deposits within the county was 0.5 percent, representing a 21st place ranking. Competitor institutions include such nation-wide banks as Wells Fargo Bank, Bank of America, and JP Morgan Chase, as well as regional, statewide, and local banks such as Peoples United Bank, Hudson City Savings Bank, and TD Bank National. Additionally, FRB competes with thrifts, credit unions, finance companies, mortgage companies, and other financial service providers for deposit and loan customers throughout Fairfield County.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS CONNECTICUT ASSESSMENT AREA

LENDING TEST

FRB's Lending Test performance is rated **Low Satisfactory**.

FRB's lending levels within the Connecticut were modest. Through its 1 branch, the bank originated only 24 HMDA and 1 small business loan. The 24 HMDA loans represent 1.0 percent of the CAA total.

The minimal volume of both HMDA loans and small business loans does not support any statistically sound analyses as to geographic distribution or borrower profile. Additionally, this AA contains no low-income CTs and only one moderate-income CT. Two CD loans totaling \$4.6 million benefited the Connecticut AA. These 2 loans represent 1.1 percent of the CAA total of \$437.8 million. One CD loan, totaling \$2.6 million supported the stabilization and revitalization of a distressed geography. The second CD loan, totaling \$2 million, was made to a non-profit lender headquartered in New York City and formed by a consortium of financial institutions to finance affordable housing and CD projects. The loan funds the construction, rehabilitation, and preservation of affordable housing units which serve to stabilize and revitalize neighborhoods in New York and Connecticut. FRB used the *Eagle One*, the *Eagle One Plus*, and the *Home Loan Special* innovative and/or flexible lending programs to

serve the credit needs of this AA. The overall responsiveness to AA credit needs appears adequate given the good level of CD lending in this AA, and the use of innovative and/or flexible lending programs.

INVESTMENT TEST

FRB's Investment Test performance is rated **Low Satisfactory**.

FRB's performance in the Connecticut AA is consistent with its performance in the CAA. During the evaluation period, FRB made 1 qualified investments totaling \$670,000. Qualified investments represent 3.2 percent by number and 0.6 percent by dollar volume, of the CAA total of 109.8 million.

SERVICE TEST

FRB's Service Test performance is rated **Low Satisfactory**.

FRB's service performance in the Connecticut AA is adequate. Products, services, and business hours are similar to those offered within the CAA. No branches were closed, relocated, or opened during the evaluation period. The 1 branch and 2 ATMs are located within middle-income CTs. Two employees provided 4 hours of qualified CD services in this AA during the evaluation period.

In addition to volunteered hours of service and expertise, the bank's *Non-profit Banking Program* and *Financial Education Program* were available in this AA.

OREGON

FRB's Oregon CRA Rating is **Satisfactory**.

The Lending Test is rated: **Low Satisfactory**

The Investment Test is rated: **High Satisfactory**

The Service Test is rated: **High Satisfactory**

DESCRIPTION OF THE OREGON ASSESSMENT AREA

The Oregon AA is a contiguous area that consists of portions of western and central Multnomah County and eastern Washington County (two of seven counties comprising the Portland-Vancouver-Beaverton, OR-WA MSA # 38900). This AA lies astride the Willamette River and borders the Columbia River to the north. This AA hosts the City of Portland in Multnomah County and the communities of Rock Creek, Cedar Hills, Cedar Mill, West Haven-Sylvan, West Slope, Raleigh Hills, Tigard, Metzger, and King City in eastern Washington County.

Table OR-1 details demographic data for the Oregon AA.

Table OR-1: Demographic Information for the Oregon Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A % of #
Census Tracts	174	3.4	32.2	41.4	23.0	0.0
Population by Census Tract Income Level	692,881	1.5	33.1	41.7	23.7	0.0
Owner-occupied Housing Units by Census Tract Income Level	167,534	0.7	25.5	44.8	29.0	0.0
Businesses by Census Tract Income Level	68,565	7.2	30.1	35.9	26.8	0.0
Small Businesses by Census Tract Income Level	52,533	5.9	28.6	37.1	28.4	0.0
Households by Income Level	289,771	25.0	18.5	19.7	36.8	
Families by Income Level	163,176	20.8	19.6	22.2	37.4	
Median Family Income		\$77,595	Median Housing Value			\$181,580
Median Household Income		\$66,787	Unemployment Rate			6.0%
Families Below the Poverty Level		7.5%	Percent of Population Below the Poverty			10.7%
Households Below the Poverty Level		10.7%	Level			3.8%

Source: 2010 U.S. Census data; 2010 D&B data; 2010 Housing and Urban Development (HUD) data

Economic Information

According to Moody's Economy.com, Oregon's recovery is stalling as job gains have slowed to a trickle. At 9.5 percent, the unemployment rate is nearing the national rate. The expiration of federal stimulus funds has led to public sector layoffs in local government. Hiring in high tech and leisure/hospitality is offsetting government cutbacks. The state's high-tech industry is expected to provide above average growth in income and construction employment in the near term. An additional boost in tech hiring is expected once Intel's \$3 billion R&D facility is complete in 2013. In addition to creating 8,000 construction jobs over the life of the project, the facility will create 1,000 well-paying permanent positions.

The housing market remains a significant weight on the state's recovery. The state's first-mortgage default rate is 5.3 percent compared with 6.8 percent nationally. Home prices continue to fall and are expected to hit bottom by the end of the year. The state is already working through its below-average backlog of foreclosure inventories as household credit conditions are slightly better than in Washington and well below the national rate. The shrinking supply in real estate is expected to spur residential constructions; however, weaker than expected job growth in the second half of the year could draw out the improvements in the housing market.

Market Share

As of June 30, 2011, FRB competed with 31 other FDIC-insured banking or savings institutions operating 331 offices within the Oregon AA. FRB's market share of FDIC-insured deposits within the county was 0.4 percent, representing a 20th place ranking. Competitor institutions include such nation-wide banks as Bank of America, US Bank, and Wells Fargo Bank, as well as regional, statewide, and local banks such as Bank of America Oregon, KeyBank National, and Umpqua Bank. Additionally, FRB competes with thrifts, credit unions, finance companies, mortgage companies, and other financial service providers for deposit and loan customers throughout Multnomah County.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS OREGON ASSESSMENT AREA

LENDING TEST

FRB's Lending Test performance is rated **Low Satisfactory**.

FRB's lending volumes in the Oregon AA were modest. Through its 1 branch, the bank originated 18 HMDA, and 6 small business loans. The 18 HMDA loans represents 0.7 percent of the CAA total of 2,467 HMDA loans, while the 6 small business loans represent 1.4 percent of the CAA total of 434 loans.

The minimal volume of both HMDA loans and small business loans does not support any statistically sound analyses as to geographic distribution or borrower profile. CD lending was excellent as the bank originate 9 CD loans totaling \$15.8 million. Five CD loans totaling \$8.1 million supported affordable housing, 3 CD loans totaling \$7.5 million supported the stabilization and revitalization of LMI geographies, and 1 CD loan supported social services for LMI individuals and families. The CD loan total of \$15.8 million represents 3.6 percent of the CAA total of \$437.8 million. FRB used the

Eagle One, the *Eagle One Plus*, and the *Home Loan Special* innovative and/or flexible lending programs to serve the credit needs of this AA. Based upon the 9 CD loans totaling \$15.8 million and the use of innovative and/or flexible lending programs, the bank demonstrated good responsiveness to the needs of this AA.

INVESTMENT TEST

FRB's Investment Test performance is rated **High Satisfactory**.

FRB demonstrated good investment performance in the Oregon AA. During the evaluation period, FRB made 3 qualified investments totaling \$3.5 million and 2 donations totaling \$8,000. The \$3.5 million in investments represents 3.2 percent of the CAA total of \$109.8 million.

SERVICE TEST

FRB's Service Test performance is rated **High Satisfactory**.

FRB's service performance in the Oregon AA was consistent with the overall performance in the CAA. Products, services, and business hours are similar to those offered within the CAA. No branches were closed, relocated, or opened during the evaluation period. Noteworthy is the fact that the AA lone branch and all four ATMs are located in low-income CTs. Six employees from this AA provided 30 hours of qualified CD services, representing 1.4 percent of the CAA total of 2,225 service hours.

FRB's performance under the Service Test in the Oregon AA is consistent with its performance in the CAA. Products, services, and business hours are similar to those offered within the California AA. No branch was closed or relocated during the evaluation period. One branch and 4 ATMs are available in this AA. The bank provided 30 hours of qualified CD services in this AA during the review period.

In addition to volunteered hours of service and expertise, the bank's *Non-profit Banking Program* and *Financial Education Program* were available in this AA.

APPENDIX A

SCOPE OF EVALUATION

First Republic Bank
SCOPE OF EVALUATION: Large bank, full-scope evaluation.
TIME PERIOD REVIEWED: The time frame was from July 1, 2010, to October 31, 2011 for the Investment Test, Service Test, CD lending, Innovative and/or flexible lending programs, and serving the credit needs of the most economically disadvantaged. The evaluation period was January 1, 2011 through August 31, 2011 for the lending activity, AA concentration, geographic distribution, and borrower profile analyses.
PRODUCTS REVIEWED: HMDA-reportable residential mortgage loans and CRA-reportable small business loans originated or purchased by FRB from and including January 1, 2011, through and including August 31, 2011. CD loans, innovative or flexible lending program loans, qualified investments, CD services, and retail services extended from and including July 1, 2010, to October 31, 2011.

LIST OF AFFILIATES AND PRODUCTS REVIEWED		
AFFILIATE(S):	AFFILIATE RELATIONSHIP:	PRODUCTS REVIEWED:
First Republic Securities Company	Wholly-owned broker/dealer subsidiary (Nevada LLC)	Non-deposit investment products
First Republic Investment Management	Wholly-owned investment advisor subsidiary (New York Corporation)	None
First Republic Preferred Capital Corporation	Wholly-owned REIT subsidiary (Nevada LLC)	None
First Republic Lending Corporation	Wholly-owned REIT subsidiary (Nevada Corporation)	None

LIST OF ASSESSMENT AREAS AND TYPE OF EVALUATION			
ASSESSMENT AREA:	TYPE OF EVALUATION:	BRANCHES VISITED:	OTHER INFORMATION:
Combined Assessment Area	Full Scope	1	None
San Francisco Bay Area	Full Scope	1	None
Los Angeles Area	Full Scope	0	None
San Diego County	Limited Scope	0	None
Riverside County	Limited Scope	0	None
Santa Barbara County	Limited Scope	0	None
New York	Full Scope	0	None
Massachusetts	Limited Scope	0	None
Connecticut	Limited Scope	0	None
Oregon	Limited-scope	0	None

APPENDIX B

SUMMARY OF STATE RATINGS				
STATE OR MULTISTATE MSA NAME:	LENDING TEST RATING:	INVESTMENT TEST RATING:	SERVICE TEST RATING:	OVERALL STATE RATING:
Combined Assessment Area	Low Satisfactory	High Satisfactory	High Satisfactory	Satisfactory
California	High Satisfactory	High Satisfactory	High Satisfactory	Satisfactory
New York	Low Satisfactory	Low Satisfactory	High Satisfactory	Satisfactory
Massachusetts	Low Satisfactory	High Satisfactory	High Satisfactory	Satisfactory
Connecticut	Low Satisfactory	Low Satisfactory	Low Satisfactory	Satisfactory
Oregon	Low Satisfactory	High Satisfactory	High Satisfactory	Satisfactory

APPENDIX C - GENERAL DEFINITIONS

GEOGRAPHY TERMS

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that have economic and social ties.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

Rural Area: Territories, populations and housing units that are not classified as urban.

HOUSING TERMS

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

INCOME TERMS

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Family Income: Includes the income of all members of a family that are age 15 and older.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates, which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

OTHER TERMS

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

Small Business Loan: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

APPENDIX D - INVESTMENT DEFINITIONS

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. The equity investments are subject to limits specified by the bank's regulator. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community as well as to the financial and marketing needs of the bank. A CDC may purchase, own, rehabilitate, construct, manage and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization. Any real estate ownership should generally be temporary, with ownership reverting to members or organizations in the community.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. They procure loans and investments that conventional financial institutions are unable to invest in, and they link financing to other developmental activities. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. CDFIs share a common mission and can be chartered as a credit union or bank. CDFIs can also be unregulated nonprofit institutions that gather private capital from a range of social investors for community development lending or investing. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, microenterprise funds, and community development venture capital funds. A certified CDFI must meet eligibility requirements, which include: having a primary mission of promoting community development; serving an investment area or target population; providing development services; maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means; and not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Low Income Housing Tax Credits: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended, which is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department, through the Internal Revenue Service, distributes low-income housing tax credits to housing credit agencies. The housing agencies allocate tax credits on a competitive basis. Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits or sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains in place throughout the compliance period, usually 30 years.

Qualified Investments: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development to support the following endeavors: 1) affordable housing; 2) community services targeting low- and moderate-income individuals; 3) activities that promote economic development by financing small farms and small businesses; and 4) activities that revitalize or stabilize low- and moderate-income geographies.

APPENDIX E - STANDARD PE LANGUAGE

LENDING TEST

Scope of Test

The Lending Test evaluates the institution's record of helping to meet the credit needs of its AA(s) by considering an institution's home mortgage, small business, small farm, and community development lending. The institution's lending performance is evaluated pursuant to the following criteria: 1) the volume of lending activity; 2) the proportion of lending within the AA(s); 3) the dispersion of loans and the number and amount of loans in low-, moderate-, middle- and upper-income geographies in the AA(s); 4) the distribution of loans among borrowers of low-, moderate-, middle- and upper-income levels and businesses (including farms) of different sizes; 5) the distribution of small business and small farm loans by loan amount at origination; 6) the volume of community development lending; and 7) the use of innovative or flexible lending practices. Performance under the Lending Test is weighted more heavily than the investment and Service Tests when arriving at an overall rating.

Community Development Lending:

Performance Criteria

The institution's community development lending activities are evaluated pursuant to the following criteria: 1) the extent to which community development lending opportunities have been made available to the institution; 2) the responsiveness of the institution's community development lending; and 3) the extent of leadership the bank has demonstrated in community development lending.

Innovative and Flexible Lending Practices:

Performance Criteria

The institution's innovative and flexible lending practices are evaluated pursuant to the following criteria: 1) the degree to which the loans serve low- and moderate-income creditworthy borrowers in new ways or serve groups of creditworthy borrowers not previously served by the institution; and 2) the success of each product serving low- and moderate-income borrowers, including the number and dollar volume of loans originated during the review period.

INVESTMENT TEST

Scope of Test

The Investment Test evaluates the institution's record of helping to meet the credit needs of its AA(s) through its use of qualified investments that benefit the AA(s) or a broader statewide or regional area that includes the institution's AA(s). Activities considered under the lending or Service Test may not be considered under the Investment Test. The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors.

SERVICE TEST

Scope of Test

The Service Test evaluates the institution's record of helping to meet the credit needs of its AA(s) by analyzing both the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The institution's retail banking services are evaluated pursuant to the following criteria: 1) the distribution of the institution's branches among geographies of different income levels; 2) the record of opening and closing branches, particularly branches located in low- and moderate-income geographies or that primarily serve low- or moderate-income individuals; 3) the availability and effectiveness of alternate systems for delivering retail banking services; and 4) the range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

In addition, the institution's community development services are evaluated pursuant to the following criteria: 1) the extent of community development services offered and used; 2) the innovativeness of community development services, including whether they serve low- and moderate-income customers in new ways or serve groups of customers not previously served; 3) the degree to which they serve low- and moderate-income areas or individuals; and 4) their responsiveness to available opportunities for community development services.